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Halper, Marshall J.

Monterey, CA; Naval Postgraduate School

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# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

**WHY HAVE SOME SOUTHEAST ASIAN RESPONSES  
TO CHINESE ACTIONS IN THE SOUTH CHINA SEA  
BEEN MORE SUCCESSFUL THAN OTHERS?**

by

Marshall J. Halper

March 2021

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<b>REPORT DOCUMENTATION PAGE</b>			<i>Form Approved OMB No. 0704-0188</i>	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington, DC 20503.				
<b>1. AGENCY USE ONLY (Leave blank)</b>		<b>2. REPORT DATE</b> March 2021	<b>3. REPORT TYPE AND DATES COVERED</b> Master's thesis	
<b>4. TITLE AND SUBTITLE</b> WHY HAVE SOME SOUTHEAST ASIAN RESPONSES TO CHINESE ACTIONS IN THE SOUTH CHINA SEA BEEN MORE SUCCESSFUL THAN OTHERS?			<b>5. FUNDING NUMBERS</b>	
<b>6. AUTHOR(S)</b> Marshall J. Halper				
<b>7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)</b> Naval Postgraduate School Monterey, CA 93943-5000			<b>8. PERFORMING ORGANIZATION REPORT NUMBER</b>	
<b>9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)</b> N/A			<b>10. SPONSORING / MONITORING AGENCY REPORT NUMBER</b>	
<b>11. SUPPLEMENTARY NOTES</b> The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
<b>12a. DISTRIBUTION / AVAILABILITY STATEMENT</b> Approved for public release. Distribution is unlimited.			<b>12b. DISTRIBUTION CODE</b> A	
<b>13. ABSTRACT (maximum 200 words)</b>  Over the past decade, Southeast Asian countries have struggled to devise effective responses to China's efforts to assert its claims in the South China Sea. This thesis aims to explain why some of those responses have been more successful than others. Using five case studies from 2012–2020, this thesis examines how the following four factors account for the success or failure of Vietnamese and Malaysian responses: increased external balancing with the U.S., increased internal balancing, increased coercive diplomacy, and stronger diplomatic support from the international community. The thesis finds that successful responses rely on a combination of internal balancing with coercive diplomacy and international support. It finds only weak evidence that countries in Southeast Asia engage in external balancing in response to China's actions in the region. These conclusions suggest that the United States should increase its diplomatic and military cooperation with Southeast Asian partners in ways that enhance their capacity to deploy maritime forces and generate international support in response to Chinese assertiveness. Future research should examine whether increased military cooperation with middle powers such as India and Australia may contribute to more successful outcomes.				
<b>14. SUBJECT TERMS</b> Southeast Asian responses, regional responses, South China Sea, Chinese coast guard, Chinese maritime militia			<b>15. NUMBER OF PAGES</b> 87	
			<b>16. PRICE CODE</b>	
<b>17. SECURITY CLASSIFICATION OF REPORT</b> Unclassified	<b>18. SECURITY CLASSIFICATION OF THIS PAGE</b> Unclassified	<b>19. SECURITY CLASSIFICATION OF ABSTRACT</b> Unclassified	<b>20. LIMITATION OF ABSTRACT</b> UU	

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IN THE SOUTH CHINA SEA BEEN MORE SUCCESSFUL THAN OTHERS?**

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Lieutenant, United States Navy  
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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES  
(STRATEGIC STUDIES)**

from the

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## **ABSTRACT**

Over the past decade, Southeast Asian countries have struggled to devise effective responses to China's efforts to assert its claims in the South China Sea. This thesis aims to explain why some of those responses have been more successful than others. Using five case studies from 2012–2020, this thesis examines how the following four factors account for the success or failure of Vietnamese and Malaysian responses: increased external balancing with the U.S., increased internal balancing, increased coercive diplomacy, and stronger diplomatic support from the international community. The thesis finds that successful responses rely on a combination of internal balancing with coercive diplomacy and international support. It finds only weak evidence that countries in Southeast Asia engage in external balancing in response to China's actions in the region. These conclusions suggest that the United States should increase its diplomatic and military cooperation with Southeast Asian partners in ways that enhance their capacity to deploy maritime forces and generate international support in response to Chinese assertiveness. Future research should examine whether increased military cooperation with middle powers such as India and Australia may contribute to more successful outcomes.



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## LIST OF ACRONYMS AND ABBREVIATIONS

1MDB	One Malaysia Development Berhad
A2/AD	Anti-Access/Area Denial
ADMM+	ASEAN Defense Minister Meeting Plus
AIIB	Asian Infrastructure Investment Bank
AIS	Automated Identification System
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
BN	Barisan Nasional
BRI	Belt and Road Initiative
CARAT	Cooperation Afloat Readiness and Training
CoC	Code of Conduct
CCP	Chinese Communist Party
CLCS	Commission on the Limits of the Continental Shelf
COVID-19	Coronavirus Disease of 2019
CSIS	Center for Strategic and International Studies
EAS	East Asian Summit
EEZ	Exclusive Economic Zone
ESSCOM	Eastern Sabah Security Command
FAC	Fast Attack Craft
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HMAS	Her or His Majesty's Australian Ship
HYSY	Haiyang Shi You
JI	Jemaah Islamiyah
MMEA	Malaysian Maritime Enforcement Agency
MOU	Memorandum of Understanding
MSDF	Maritime Self Defense Force
ND	Nipple Down
OBOR	One Belt, One Road

PH	Pakatan Harapan
PLA	People's Liberation Army
PN	Perikatan Nasional
RMN	Royal Malaysian Navy
RSIS	S. Rajaratnam School of International Studies
SAM	Surface to Air Missile
SCS	South China Sea
SEACAT	Southeast Asia Cooperation and Training
SLOCS	Sea Lines of Communications
SOE	State Owned Enterprise
UAE	United Arab Emirates
UAS	Unmanned Aerial Systems
UNCLOS	United Nation's Convention on the Law of the Sea
USS	United States Ship

## **ACKNOWLEDGMENTS**

I would like to take this opportunity to thank the individuals who have helped me complete my thesis project. Thank you to Dr. Michael Malley and Dr. Christopher Twomey for their detailed guidance throughout this entire process. Thank you to the Graduate Writing Center for helping me become a better writer and critical thinker. I also would like to thank all the individuals in the Navy who have helped me get into NPS. I want to especially thank my mother, Carol Halper, and Caroline Zuccarello for their incredible support, and patience with me during my time here at NPS. Both of you continue to inspire me to never let go of my goals and to keep moving forward with my naval career.



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# **I. REGIONAL RESPONSES TO CHINA’S ASSERTIVENESS IN THE SOUTH CHINA SEA**

## **A. MAJOR RESEARCH QUESTION**

*Why have some Southeast Asian responses to Chinese actions in the South China Sea been more successful than others?* Various countries in Southeast Asia have responded differently to China’s assertiveness in the region. Some countries have taken a passive posture to China’s growing presence, while others have chosen to respond more aggressively against China’s growing influence. This research will examine the differing regional responses to China’s assertiveness in the South China Sea to determine under what conditions each country’s policy choices have been successful in causing Chinese vessels to withdraw from disputed territories and under what conditions these choices have led to failure.

## **B. SIGNIFICANCE OF THE RESEARCH QUESTION**

The South China Sea is one of the most critical waterways in the world: it allows for the uncontested passage of a majority of the international world’s commerce. In fact, over \$5.3 trillion in worldwide commerce transits annually through the South China Sea.<sup>1</sup> In addition to historical fishing grounds, the South China Sea is also recognized to be rich in various natural resources such as natural gas and hydrocarbon deposits.<sup>2</sup>

Over the years, many countries in Southeast Asia have grown suspicious of China’s intentions and have responded in different ways to China’s maritime assertiveness. In addition, China’s expanding presence in the region has generated critical debates throughout the world to include the 2016 Permanent Court of Arbitration case under the United Nation’s Convention on the Law of the Sea (UNCLOS), as well as a dynamic shift

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<sup>1</sup> “How Much Trade Transits the South China Sea?,” ChinaPower Project, Center for Strategic and International Studies, Washington, DC, accessed August 2, 2019, <http://chinapower.csis.org/much-trade-transits-south-china-sea/>.

<sup>2</sup> “International—U.S. Energy Information Administration (EIA),” U.S. Energy Information Administration, Washington, DC, October 15, 2019, [https://www.eia.gov/international/analysis/regions-of-interest/South\\_China\\_Sea](https://www.eia.gov/international/analysis/regions-of-interest/South_China_Sea).

in United States foreign policy toward the region.<sup>3</sup> This research topic has received substantial research already, as discussed in the following section. The topic remains important for Southeast Asia academic scholars, U.S. and Southeast Asian policy makers, as well as other Asian-Pacific political scientists.

This thesis aims to contribute to previously written academic studies on the differing types of coercion to identify the reasons why countries have responded differently to China's actions in the SCS. In particular, this thesis will analyze why some policy choices made by Southeast Asian countries have been more successful than others in confronting Chinese territorial aggression in the South China Sea. Furthermore, the result of this research finding could contribute to United States contemporary South China Sea policy by providing U.S. policy makers with knowledge about the reasons why Southeast Asian countries behave differently in response to China's emboldened presence in the region.

## **C. LITERATURE REVIEW**

In order to understand and identify reasons why countries are responding differently to China's assertiveness in the South China Sea, this analysis will require an understanding of the recent events surrounding South China Sea disputes. There is significant literature that focuses on this topic. Some focus on Chinese decision-making to expand into the South China Sea while others choose to emphasize the implications of the South China Sea disputes for UNCLOS. This section will review the differing explanations of South China Sea disputes.

### **1. Chinese Foreign Policy Decision-Making and the South China Sea**

Several authors focus on the role of Xi Jinping as the source of China's assertiveness. In his influential chapter, Heginbotham states that since 2009 China has become more assertive in the South China Sea especially since the accession of President

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<sup>3</sup> Lingqun Li, *China's Policy towards the South China Sea When Geopolitics Meets the Law of the Sea, Contemporary Issues in the South China Sea* (London: Routledge, 2018), 182, <https://doi.org/10.4324/9781315158709>.

Xi Jinping.<sup>4</sup> In addition, he argues that China's decision to expand into the South China Sea has been based on China's four core interests which are: maintaining diplomatic relations with its neighbors, pursuing its own economic interests, defending its national sovereignty and protecting what it sees as its sea lines of communications (SLOCS).<sup>5</sup> Nie also claims that Xi Jinping has been one of the most influential decision makers for prioritizing diplomatic and economic relations with members of ASEAN, as well as promoting China's one belt, one road initiative (OBOR) in order to enhance his own political performance in China.<sup>6</sup>

Other authors highlight China's growing assertiveness as the result of bureaucratic reforms within the Chinese Communist Party.<sup>7</sup> Yamaguchi asserts that since 2009 Chinese maritime territorial disputes have become a top agenda item for discussion within the Central Politburo.<sup>8</sup> As a result, the CCP has encouraged greater cooperation and consolidation between China's political institutions.<sup>9</sup> For example, the Chinese government announced during the National People's Congress meeting in March of 2013 that China's maritime law enforcement agencies would be combined under one maritime law enforcement agency, the Chinese Coast Guard to consolidate and improve coordination in enforcing China's national sovereignty maritime claims.<sup>10</sup> Similarly, Chubb suggests that Xi Jinping's personal role in Chinese decision-making is often overstated, and argues that Xi's role has actually been more limited and acting as more of a gatekeeper in allowing China to expand into the South China Sea.<sup>11</sup>

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<sup>4</sup> Eric Heginbotham, "China's Strategy in Southeast Asia" in *China Steps out: Beijing's Major Power Engagement with the Developing World*, ed. Joshua Eisenman (New York: London: Routledge Taylor & Francis Group, 2018), 50.

<sup>5</sup> Heginbotham, 50–51.

<sup>6</sup> Nie Wenjuan, "Xi Jinping's Foreign Policy Dilemma: One Belt, One Road or the South China Sea?," *Contemporary Southeast Asia* 38, no. 3 (December 2016): 439, <https://doi.org/10.1355/cs38-3c>.

<sup>7</sup> Shinji Yamaguchi, "Strategies of China's Maritime Actors in the South China Sea," *China Perspectives*, no. 3 (September 2016): 23, ProQuest.

<sup>8</sup> Yamaguchi, 25.

<sup>9</sup> Yamaguchi, 25.

<sup>10</sup> Yamaguchi, 26.

<sup>11</sup> Andrew Chubb, "Xi Jinping and China's Maritime Policy," Brookings (blog), January 22, 2019, <https://www.brookings.edu/articles/xi-jinping-and-chinas-maritime-policy/>.

Historically, China's recent assertiveness in the South China Sea can be traced to 2006, after China began dispatching its maritime law enforcement ships to expand and consolidate its control over its disputed maritime territory claims.<sup>12</sup> Between 2006 and 2012, China continued its assertive actions in the South China Sea by maintaining a large presence of maritime patrols within its nine-dash line, using both its maritime law enforcement ships and Chinese armed maritime militia to enforce its claims.<sup>13</sup> Additionally, China was able to successfully obtain control of the Scarborough Shoal through the use of its coast guard vessels and maritime militia ships to coerce the Philippines' coast guard ships to withdraw, leaving China in de facto control of Scarborough Shoal.<sup>14</sup> China has also heightened its assertiveness through extensive land reclamation within the South China Sea. In 2014, China further heightened its aggressiveness in the South China Sea by beginning land reclamation operations around Johnson Reef and Hughes Reef resulting in the creation of artificial islands.<sup>15</sup> Upon completion, many of the artificial islands have been militarized with surface-to-air missiles, anti-ship missiles and military surveillance systems.<sup>16</sup> China has also obstructed Southeast Asian countries in the South China Sea from conducting natural resource exploration by using its maritime enforcement vessels and Chinese maritime militia vessels.<sup>17</sup> For instance, China has utilized its maritime enforcement and maritime militia to harass other countries oil rigs from conducting hydrocarbon surveys as well as preventing them from conducting oil drilling operations in their respective EEZs.<sup>18</sup>

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<sup>12</sup> Chubb.

<sup>13</sup> Li, *China's Policy towards the South China Sea*, 129.

<sup>14</sup> Michael Green et al., *Countering Coercion in Maritime Asia: The Theory and Practice of Gray Zone Deterrence* (Washington, DC: Center for Strategic and International Studies, 2017), 99. [https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/170505\\_GreenM\\_CounteringCoercionAsia\\_Web.pdf](https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/170505_GreenM_CounteringCoercionAsia_Web.pdf).

<sup>15</sup> Zhou Fangyin, "Between Assertiveness and Self-restraint: Understanding China's South China Sea Policy," *International Affairs* 92, no. 4 (July 2016): 887, <https://doi.org/10.1111/1468-2346.12657>.

<sup>16</sup> Nguyen Thanh Trung, "Vietnam's Uphill Battle in the South China Sea: A Need for More International Actors," Asia Maritime Transparency Initiative, last modified August 23, 2019, <https://amti.csis.org/vietnams-uphill-battle-in-the-south-china-sea-a-need-for-more-international-actors/>.

<sup>17</sup> Trung.

<sup>18</sup> Trung.

## 2. South China Sea Disputes have Implications for UNCLOS

Another large body of literature discussing South China Sea disputes focusses on the implications of UNCLOS. Nong Hong explains that many of the conflicting claims of Southeast Asian countries such as Vietnam, the Philippines, Malaysia, Indonesia, Brunei as well as China revolve around the core issue of island claims.<sup>19</sup> Islands under the definition of UNCLOS Article 121 are “a naturally formed area of land, surrounded by water, which is above water at high tide that is capable of human habitation.”<sup>20</sup> Hong focuses on island claims involving sovereignty of the Spratly islands because it is argued as the most complicated matter within the South China Sea, due to the number of overlapping maritime claims.<sup>21</sup> Zou adds that since China’s U-shaped line was actually proclaimed prior to the creation of UNCLOS, China’s historic rights to the South China Sea may actually have some historical basis.<sup>22</sup> Zou claims that because China sees its historic rights to the South China Sea under threat and intrusion by other claimants, China has resorted to increasing its maritime patrols within the region.<sup>23</sup> Ultimately, Zou asserts that until maritime delimitations are resolved between countries in the region, China will continue to defend what it sees as its rightful maritime claims in the South China Sea.<sup>24</sup> Therefore, it can be further argued that due to China’s historical maritime claims predating the establishment of western international maritime law, China views its national sovereignty and future economic prosperity in the region under threat by other regional claimants, which in turn drives China to continue to take assertive measures such as building artificial islands, obstructing other countries natural resource exploration and preventing non-Chinese from fishing in SCS waters. Additionally, while these scholars do

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<sup>19</sup> Nong Hong, *UNCLOS and Ocean Dispute Settlement: Law and Politics in the South China Sea* (London: Routledge, Taylor & Francis Group, 2012), chap.3, 42, <https://doi.org/10.4324/9780203111215>.

<sup>20</sup> “Preamble to the United Nations Convention on the Law of the Sea,” United Nations, accessed February 15, 2021, [https://www.un.org/Depts/los/convention\\_agreements/texts/unclos/part8.htm](https://www.un.org/Depts/los/convention_agreements/texts/unclos/part8.htm).

<sup>21</sup> Hong, *UNCLOS and Ocean Dispute Settlement*, 55.

<sup>22</sup> Keyuan Zou, “China’s U-Shaped Line in the South China Sea Revisited,” *Ocean Development & International Law* 43, no. 1 (January 2012): 28, <https://doi.org/10.1080/00908320.2012.647483>.

<sup>23</sup> Zou, 20.

<sup>24</sup> Zou, 29.

provide alternative views of how China views its own maritime claims, there is rather little literature about how regional countries have responded to China's assertiveness of maritime claims in the South China Sea.

### **3. Regional Responses to China's Assertiveness in the South China Sea**

Relatively little literature has been devoted to explaining why some Southeast Asian countries are more or less successful in responding to Chinese assertiveness in the South China Sea. The Scarborough Shoal incident in 2012 could be seen as a less confrontational response to China's assertiveness in the South China Sea. Such a response against China's assertiveness would be seeking a compromise with China through either the issuance of diplomatic statements, protests, seeking legal arbitration or appeasing China by agreeing to joint economic investment in the South China Sea. Initially, the Philippines responded aggressively by deploying its naval frigate to arrest several Chinese fishermen illegally fishing on Scarborough Shoal, resulting in China dispatching its own maritime enforcement vessels.<sup>25</sup> However, the Philippines ultimately decided to pursue a more less confrontational response by withdrawing its vessels from Scarborough Shoal and by pursuing legal arbitration against China.<sup>26</sup> Moreover, this resulted in an unsuccessful outcome for the Philippines because they eventually ceded administrative control of the Shoal to China.<sup>27</sup> The previous Vanguard Bank incident in 2019 involving a Chinese state-owned enterprise (SOE) survey vessel and maritime enforcement vessels as well as Vietnam's maritime enforcement vessels could best be described as an accommodating response.<sup>28</sup> An accommodating response would be essentially ignoring or observing China's survey operations or maritime enforcement patrols within a country's own EEZ. Currently, Vietnam's decision to pursue a more accommodating response has led to a moderately successful outcome because Vietnam has been unable to persuade China's maritime forces or SOE oil exploration vessel to leave its EEZ. The China-Vietnam oil rig

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<sup>25</sup> Green et al., *Countering Coercion in Maritime Asia*, 101.

<sup>26</sup> Green et al., 105.

<sup>27</sup> Green et al., 99.

<sup>28</sup> Trung, "Vietnam's Uphill Battle in the South China Sea."

incident in 2014 involved the Chinese SOE oil rig Haiyang Shi You (HYSY) 981 deployment within Vietnam's EEZ. In response, Vietnam aggressively deployed its own maritime law enforcement vessels to compel China to leave its EEZ leading to an escalation of tensions.<sup>29</sup> Vietnam's response can be seen as aggressive due to the employment of numerous maritime law enforcement and fishing vessels against China's oil rig for violating Vietnam's EEZ.<sup>30</sup> Additionally, the China-Vietnam oil rig incident can also be viewed as a successful outcome against China's assertiveness in the South China Sea because Vietnam was able to compel China to withdraw its maritime forces and its SOE oil exploration vessel from Vietnam's EEZ.<sup>31</sup>

Michael Green and his coauthors, in their report on *Countering Coercion in Maritime Asia*, do discuss several incidents involving China's assertiveness in the South China Sea as well as regional countries' responses. But their analysis focuses more on the role of the United States. One weakness in his work is that Green and his colleagues do not determine whether Southeast Asian countries' responses to China's assertiveness were successful or unsuccessful. This report presents several detailed case studies. The South China Sea case involving the Scarborough Shoal incident in 2012, the Second Thomas Shoal incident in 2013 and the China-Vietnam oil rig incident in 2014. In both the Scarborough Shoal and Second Thomas shoal incidents, Green et al. consistently find that if the United States had become involved earlier in the dispute, it could have significantly de-escalated the situation.<sup>32</sup> However, by focusing solely on the role of the United States involvement, Green et al. overlook a critical factor of whether external balancing with the United States does lead to more successful responses with Chinese assertiveness in the South China Sea. Green et al. also suggest that during the 2014 China-Vietnam oil rig incident, Vietnam was able to successfully drive China out of its EEZ through the use of its maritime forces.<sup>33</sup> Yet Green underscores the importance of how Vietnam was able to

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<sup>29</sup> Green et al., *Countering Coercion in Maritime Asia*, 202.

<sup>30</sup> Green et al., 208.

<sup>31</sup> Green et al., 202.

<sup>32</sup> Green et al., 200.

<sup>33</sup> Green et al., 223.



successfully achieve this. Moreover, from preliminary analysis of his case study it appears to be the result of Vietnam's internal balancing by possibly investing more into its maritime law enforcement and naval capabilities to employ in a potential conflict with China. Additionally, Green overlooks another critical feature of whether Vietnam's aggressive response toward China during the 2014 oil rig incident could be applicable to other countries and possibly applied in the future against Chinese military coercion.

Other analysts have also looked at regional players' responses to China's provocations. Derek Grossman suggests that since the China-Vietnam oil rig incident in 2014, Vietnam has indeed significantly increased its defense funding by purchasing more defense capabilities.<sup>34</sup> In fact, since the China-Vietnam oil rig incident, Vietnam has completed several weapons deals with Russia acquiring 36 SU-30 multi-strike aircrafts as well as installing several Russian shore-based anti-ballistic missile systems to deter future Chinese assertiveness.<sup>35</sup> However, while Vietnam's land and air defense capabilities have grown the country still possesses relatively weak maritime defense capabilities and inadequate maritime domain awareness.<sup>36</sup> Similarly, the Philippines has also agreed on several future military technology transfer deals and defense infrastructure upgrades with the U.S. to further modernize its capabilities against China's assertiveness in the South China Sea.<sup>37</sup>

Nguyen Thanh Trung adds that, since the China-Vietnam oil rig incident in 2014, Vietnam has increased its maritime defense capabilities against Chinese assertiveness within the region.<sup>38</sup> Trung also poses the question of whether other South China Sea claimants should attempt to initiate legal arbitration against China similar to the Philippines

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<sup>34</sup> Derek Grossman, "Can Vietnam's Military Stand Up to China in the South China Sea?," *Asia Policy* 13, no. 1 (January 2018): 117, Project Muse.

<sup>35</sup> Grossman, "Can Vietnam's Military Stand Up to China in the South China Sea?," 119.

<sup>36</sup> Grossman, 124.

<sup>37</sup> Michael Beckley, "The Emerging Military Balance in East Asia: How China's Neighbors Can Check Chinese Naval Expansion," *International Security* 42, no. 2 (Fall 2017): 107, [https://doi.org/10.1162/ISEC\\_a\\_00294](https://doi.org/10.1162/ISEC_a_00294).

<sup>38</sup> Trung, "Vietnam's Uphill Battle in the South China Sea."

international arbitration case in 2016.<sup>39</sup> However, Trung responds stating that it will likely have little effect in persuading China to change its behavior in the South China Sea due to China's reaction to the 2016 decision.<sup>40</sup> Trung's response highlights an important question, does stronger diplomatic support from the international community lead to a more successful outcome with China?<sup>41</sup> In a more recent article by Grossman, Grossman also concurs with Trung's approach, but adds that Vietnam's lack of military alliances may force Vietnam to become more accustomed to China's growing economic coercion in the South China Sea.<sup>42</sup>

#### **D. POTENTIAL EXPLANATIONS AND HYPOTHESES**

Although there may be other potential factors or reasons for explaining why some Southeast Asian responses to Chinese actions in the South China Sea have been more successful than others, this study will be considering activity across the countries' policy decisions, in order to ascertain what conditions result in successful or unsuccessful responses to China's actions in the region. After a thorough qualitative examination is conducted on each case study, a more logical determination of which hypothesis serves as the best explanatory reason should emerge. However, after initial analysis of South China Sea and regional response literature, the following hypotheses have been identified.

*H1: Increased External Balancing with the United States leads to more successful outcomes.* If this hypothesis is valid, empirical evidence should suggest that increased diplomatic involvement of prominent U.S. officials, conducting of joint military exercises and official diplomatic defense agreements should lead to more successful outcomes by convincing China to reduce its assertiveness in the region for the potential benefits of oil exploitation, fishing, or buildup of its own defense infrastructure. Conversely, decreased

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<sup>39</sup> Trung.

<sup>40</sup> Trung.

<sup>41</sup> Trung.

<sup>42</sup> Derek Grossman, "Why Vanguard Bank and Why Now? Explaining Chinese Behavior in the South China Sea," (blog) August 19, 2019, <https://www.rand.org/blog/2019/08/why-vanguard-bank-and-why-now-explaining-chinese-behavior.html>.

external balancing should result in more unsuccessful outcomes with China's assertiveness in the region.

H2: Increased Internal Balancing leads to more successful outcomes. If this hypothesis is true, empirical evidence should indicate that the redistribution of military funds across countries military branches toward more maritime defense capabilities such as coast guards and maritime law enforcement agencies, causes China to reevaluate its approach in seeking access to each of the country's economic exclusive zone or territorial sea natural resources. In addition, there should be clear indications of increasing maritime defense funding, acquiring of maritime defense assets from another country, or an increase of production of maritime defense assets within each country coinciding with more successful outcomes with China.

H3: Increased coercive diplomacy against China's assertiveness leads to more successful outcomes. If this hypothesis is valid, empirical evidence should demonstrate that a more aggressive military response has contributed to a more successful outcome with China regarding claims to natural resources within each country's maritime EEZ or territorial sea. Due to multiple incidents involving competing military forces with China within the region, there should be a clear depiction of each country utilizing higher or lower levels of its military, coast guard, or fishing vessels corresponding to a more or less successful outcome with Chinese assertiveness.

H4: Stronger Diplomatic support from the International Community leads to more successful outcomes: If this hypothesis is valid, empirical evidence should indicate that when countries utilize state and international media involvement, diplomatic protests, diplomatic statements, the international community begins to support the country leading to a more successful outcome against China's assertiveness in the South China Sea.

## **E. RESEARCH DESIGN**

The purpose of this research is to explain why some regional country responses succeed while others fail against Chinese territorial aggression within the South China Sea. This research will be examining countries' policy choices and how they affect the level of success or failure of their responses to China's assertiveness. The research objective is

primarily to determine which set of particular factors have led to more successful responses to China's maritime law enforcement and maritime militia vessels over conflicting territorial claims in the South China Sea.

## **1. Research Method**

This project will assess the four hypotheses by examining various countries' policy decisions using three sets of case studies: 1) Scarborough Shoal, Second Thomas Shoal, and Vietnam oil rig incidents during the years of 2012–2014; 2) the Vanguard Bank incident involving Vietnam and China in 2019; and 3) the West Capella incident involving Malaysia, Vietnam and China from 2019 to present. I have chosen these previous case studies because they are representative evidence of actual Chinese assertiveness in the South China Sea. I collected and analyzed several different case studies from each of these incidents to determine under what conditions Southeast Asian countries have been able to achieve their goals in their region. After review of the above incidents, a final assessment of the findings will be presented that identifies the strongest causal relationship that leads to successful responses by Southeast Asian countries toward China's territorial aggression within the South China Sea.

*Scarborough Shoal, Second Thomas Shoal, Vietnam Oil rig incident (2012–2014).* Initially, this research was concentrated on accumulating empirical evidence on each of these three case studies in order to present evidence that can be used to test each of the hypotheses. Research completed attempted to identify conditions that make responses to Chinese aggression more successful and what conditions or factors make responses less successful. Ultimately, the goal of this first stage of research was to determine whether these identified conditions of successful responses, are also present in more recent incidents of China's assertiveness in the South China Sea.

*The Vanguard Bank incident in 2019.* During this section, the research presents evidence of a more recent case between Vietnam and China in 2019, in order to test each of the hypotheses. The research concentrated on whether the Vanguard Bank incident in 2019, possesses the same or differing conditions that were previously found in the historical cases. This research also conducted careful consideration of identifying any new

explanations that could also be contributing factor(s) in successful or unsuccessful responses with China in the South China Sea.

*The West Capella Incident in 2019 to Present.* After review of the subsequent case studies, the research will then turn to analyze another more recent incident the West Capella, involving the Southeast Asian countries of Malaysia, Vietnam, and China from 2019 until present, in order to test each of the four hypotheses.

After an analytical review of all of the above case studies, each of the cases will be analyzed through the lens of each of the four proposed hypotheses. Ultimately, one of the four hypotheses will provide the best causal explanation of a more successful or unsuccessful response to the Chinese Coast Guard or maritime militia over territorial claims in the South China Sea.

## **2. Sources and Application**

A variety of sources are available to support this foregoing research. Michael Green's *Countering Coercion in Maritime Asia* provides important historical data that can be used going forward in more recent cases of China's assertiveness in the South China Sea. Moreover, published books and academic articles regarding potential responses to China's assertiveness in the South China Sea, will make up a majority of sources. In addition, regional newspapers, media excerpts and official diplomatic statements from Southeast Asian countries officials will also be utilized to provide a more internal regional perspective to the supplied evidence in this research. Reports from think tanks such as the Center for Strategic and International Studies, (CSIS) and S. Rajaratnam School of International Studies (RSIS) will also be utilized to provide essential case studies on Vietnam's ongoing incident with China near Vanguard Bank, as well as the West Capella incident to provide an important baseline of building more empirically related evidence for each of the proposed hypotheses.

## **F. THESIS OVERVIEW AND DRAFT CHAPTER OUTLINE**

This thesis will begin with the clearly identified research question as well as the significance of the question, then provide the relevant empirical historical case studies and

evaluate conditions found in each of the historical case studies. Chapter II will provide an explanation of the earlier cases as well as the Vanguard Bank incident in 2019, by presenting appropriate empirical evidence and analysis through the use of each of the hypotheses identified to determine if any are appropriate for explaining a potential successful or unsuccessful explanation of the incident.

The third chapter will examine another incident involving Malaysia, Vietnam and China, the West Capella incident. Using the previously identified hypotheses along with case study analysis, this research will again determine if any of the identified hypotheses are applicable to the formulation of a potential successful or unsuccessful explanation for this incident. Finally, the thesis will also include a summary and findings section, to provide an overview of the previous cases and determine which hypothesis provides the best causal explanation for successful responses with China in the South China Sea.

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## **II. VIETNAM'S RESPONSES TO CHINA (2014–2019)**

The purpose of this chapter is to explain why Vietnam's responses to China's incursions have been less successful since the previous 2014 oil rig incident. This chapter will examine the history directly following the 2014 oil rig incident to provide a chronological overview of how Vietnam responded to China's assertiveness in the South China Sea. We will first discuss Vietnam and China's reaffirmed partnership directly following the oil rig crisis, as well as how Vietnam responded domestically by enhancing its own maritime capabilities through limited internal balancing. Then, we will discuss how Vietnam has continued to enhance its defense capabilities against China's assertiveness through its use of external balancing with its strategic partners to include Russia, India, Japan, and the United States. Yet, despite Vietnam's reaffirmed partnership with China, use of limited internal balancing and external balancing with other countries, Vietnam's responses to China's assertiveness in the South China Sea have remained less successful, because Vietnam has been unable to coerce China to withdraw from its EEZ and complete uninterrupted oil exploration. We will also examine the most recent incident at Vanguard Bank in 2019 and explain why this recent incident's outcome was also less successful for Vietnam. I will then conclude this chapter with a summary of my hypotheses found during research.

### **A. VIETNAM AND CHINA'S RAPPROCHEMENT**

Directly following the 2014 oil rig incident, on August 26, 2014, Vietnam sent its special envoy Le Hong Ang to China to meet with Chinese leaders to repair bilateral relations between the two countries.<sup>43</sup> After a series of diplomatic meetings, by October of 2014 both China and Vietnam agreed to a memorandum of understanding (MOU) and also established a hotline between each country to prevent maritime miscalculations from happening again in the South China Sea.<sup>44</sup> In December of 2014, China also sent Yu

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<sup>43</sup> Tran Truong Thuy, "Tightrope Walking over the Sea of Trouble: Vietnam's Foreign Policy, Maritime Strategy, and Relations with China and the United States," in *China, The United States, and the Future of Southeast Asia*, ed. David Denoon (New York: NYU Press, 2017), 171.

<sup>44</sup> Thuy, "Tightrope Walking over the Sea of Trouble," 172.



Zhengsheng, Chairman of the National Committee of the Chinese People's Political Consultative Conference, to Hanoi for three days to solidify China-Vietnam relations after overcoming the oil rig crisis.<sup>45</sup> In addition, both countries reaffirmed they would abide to their 16-word guideline, which was a 1999 agreement between both communist governments confirming that each country would strive to maintain benign intentions toward one another during a dispute, in order to maintain a positive relationship between both countries.<sup>46</sup> On June 29, 2015, Vietnam further pledged its cooperative support for China's Asian Infrastructure Investment Bank (AIIB) initiative due to the need for better foreign direct investment within Vietnam.<sup>47</sup> Vietnam's cooperation can be explained by its foreign policy framework approach of "cooperation and struggle" with China, in which Vietnam is struggling against China's expansionist maritime goals, while also seeking cooperation with China economically as well as any other interests that converge with Vietnam's.<sup>48</sup> Despite Vietnam's closer diplomatic and economic ties with China after the 2014 incident, Vietnam's domestic economy while reliant on trade with China is the least susceptible to China's economic coercion methods that are typically employed against other countries within Asia.<sup>49</sup> For example, Vietnam does not rely on bilateral aid from China to sustain its economic development.<sup>50</sup> It currently only relies on a few countries in order to sustain its foreign loan indebtedness.<sup>51</sup> However, it is important to note that Vietnam is vulnerable to particular types of Chinese economic coercion methods. One

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<sup>45</sup> "VN, China Need to Treasure Bilateral Ties," Vietnam Government Portal News, December 26, 2014, <http://news.chinhphu.vn/Home/VN-China-need-to-treasure-bilateral-ties/201412/23405.vgp>.

<sup>46</sup> Christina Lai, "A Coercive Brotherhood: Sino-Vietnamese Relations from the 1990s to 2018," *The Journal of Contemporary China* 29, no. 123 (May 2020): 481, <https://doi.org/10.1080/10670564.2019.1645484>.

<sup>47</sup> "Vietnam Joins AIIB to Seek New Funding Source," *The Saigon Times*, June 30, 2015, <https://english.thesaigontimes.vn/41699/Vietnam-joins-AIIB-to-look-new-funding-source.html>.

<sup>48</sup> Carlyle Thayer, "Vietnam's Foreign Policy in an Era of Rising Sino-US Competition and Increasing Domestic Political Influence," *Asian Security* 13, no. 3 (September 2017): 185, <https://doi.org/10.1080/14799855.2017.1354570>.

<sup>49</sup> Sung Chull Kim, "China and Its Neighbors: Asymmetrical Economies and Vulnerability to Coercion," *Issues and Studies—Institute of International Relations* 55, no. 4 (December 2019): 13, <https://doi.org/10.1142/S1013251119500073>.

<sup>50</sup> Kim, "China and Its Neighbors," 19.

<sup>51</sup> Kim, "China and Its Neighbors," 19.

economic coercion method China employs against Vietnam is the disruption of Vietnam's joint oil exploration activities with international oil companies. In turn, this adversely affects Vietnam's ability to continue its own domestic energy production, especially in the future. Another method China employs against Vietnam during a maritime dispute is the reduction of Chinese tourism to Vietnam, which can severely impact Vietnam's domestic economy. For example, during the 2014 oil rig crisis China cancelled several flights and hotel reservations to Vietnam amid the growing domestic unrest in the country, which resulted in an economic loss of \$1.8 million for Vietnam during the standoff.<sup>52</sup>

## **B. VIETNAM'S DOMESTIC DEFENSE DEVELOPMENT**

China's use of its own coast guard assets during the China-Vietnam oil rig incident in 2014 inspired Vietnam to similarly construct its own white-hulled vessels to employ a comparable maritime strategy against China, by expanding its own maritime enforcement vessel fleet to protect its rightful territorial claims within the South China Sea.<sup>53</sup> In order to accomplish this maritime strategy, Vietnam has increased its internal balancing within the country in several ways. Vietnam has substantially increased its military spending and has shifted its financial resources toward more maritime defense capabilities (Figure 1 depicts Vietnam's Military Expenditure from 2014 to 2018, as a percentage of GDP).

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<sup>52</sup> Thuy, "Tightrope Walking over the Sea of Trouble," 168.

<sup>53</sup> Nguyen Thanh Trung and Truong-Minh Vu, "The 2014 Oil Rig Crisis and its Implications for Vietnam-China Relations," in *Vietnam's Foreign Policy Under Doi Moi*, ed. Le Hong Hiep and Anton Tsvetov (Maryland: Project Muse, 2018), 88.

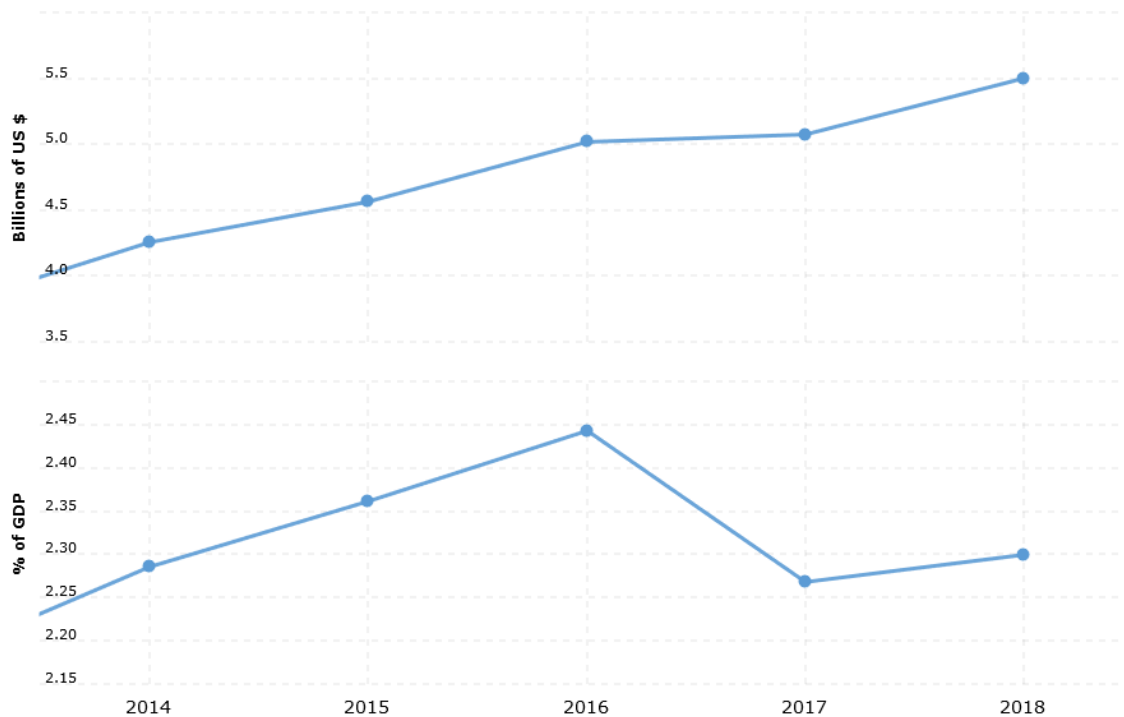


Figure 1. Vietnam Military Expenditure 2014–2018, actual amounts and as percentage of GDP.<sup>54</sup>

In fact, in 2016 Vietnam reallocated over \$1.6 billion in its defense funding from its ground forces to its maritime forces for development.<sup>55</sup> In addition to increases in maritime defense funding, Vietnam has also reformed the administrative responsibilities of its coast guard. In November 2018, Vietnam passed the 2018 Coast Guard Law, which officially clarified the responsibilities of the Vietnamese Coast Guard.<sup>56</sup> The 2018 Coast Guard Law states that one of Vietnam’s main designated responsibilities is protecting Vietnam’s maritime territorial sovereignty.<sup>57</sup> The 2018 Coast Guard Law also provides the

<sup>54</sup> Adapted from “Vietnam Military Spending/Defense Budget 1987–2021,” MacroTrends, accessed January 3, 2021, <https://www.macrotrends.net/countries/VNM/vietnam/military-spending-defense-budget>.

<sup>55</sup> Fitch Solutions Country Industry Reports, *Vietnam Defence & Security Report-2018*, (London, UK: Fitch Solutions Group Limited, 2018).

<sup>56</sup> Truong-Minh Vu and The Phuong Nguyen, “Navy-Coast Guard Emerging Nexus: The Case of Vietnam,” in *Grey and White Hulls: An International Analysis of the Navy-Coastguard Nexus*, ed. Ian Bowers and Collin Koh Swee Lean (London: Palgrave Macmillan, 2019), 79. <https://search.ebscohost.com/login.aspx?direct=true&scope=site&db=nlebk&db=nlabk&AN=2258298>.

<sup>57</sup> Vu and Nguyen, “Navy-Coast Guard Emerging Nexus: The Case of Vietnam,” 80.

Vietnamese Coast Guard with greater flexibility while operating along Vietnam's long coastlines and authorizes coast guard personnel to conduct warning shots to deter other countries' ships from illegally operating within Vietnam's waters.<sup>58</sup>

Vietnam's focus on the domestic production of maritime defense assets has also furthered its internal balancing and supplemented its own maritime strategy within the South China Sea. Although Vietnam is under considerable budget constraints in performing research for domestic defense technologies, it has still made substantial progress in domestic shipbuilding of both coast guard and naval vessels.<sup>59</sup> Indeed, the country has completed the building of four 2,000-ton offshore coast guard patrol vessels and is undergoing construction of their first 4,000-ton offshore maritime patrol vessel.<sup>60</sup> In addition, in May of 2018 Vietnam held a keel-laying ceremony for the construction of its first submarine rescue vessel to assist not only with future submarine rescue operations for Vietnam's Russian Kilo submarines but to also assist in oil survey operations for resource exploitation within its own EEZ.<sup>61</sup> However, it is important to note that while Vietnam has increased internal balancing, its domestic defense production is negligible in comparison to China's own domestic defense research and development. Thus, Vietnam must also rely on external balancing with its strategic partners in order to reduce its asymmetrical defense position vis-à-vis China.

### **C. VIETNAM'S STRATEGIC PARTNERS AND MILITARY PURCHASES**

Due to its limited investment in domestic technologies for defense, Vietnam is still heavily reliant on defense equipment, training, and technologies from its strategic partners such as Russia, India, Japan, and the United States.<sup>62</sup> Russia has been Vietnam's primary defense equipment provider for the past several decades and has been utilized to

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<sup>58</sup> Vu and Nguyen, 80.

<sup>59</sup> Fitch Solutions Country Industry Reports, *Vietnam Defence & Security Report-2018*.

<sup>60</sup> Vu and Nguyen, "Navy-Coast Guard Emerging Nexus: The Case of Vietnam," 78.

<sup>61</sup> Prashanth Parameswaran, "What's in Vietnam's New Submarine Vessel?," *The Diplomat*, last modified June 14, 2018, <https://thediplomat.com/2018/06/whats-in-vietnams-new-submarine-vessel/>.

<sup>62</sup> Fitch Solutions Country Industry Reports, *Vietnam Defence & Security Report-2020*, (London, UK: Fitch Solutions Group Limited, 2020).

supplement Vietnam's internal balancing deficiencies within the country.<sup>63</sup> In fact, since the China-Vietnam oil rig incident in 2014, Vietnam has completed its purchase of all six Kilo class submarines, six missile corvettes, as well as two gunboats from Russia.<sup>64</sup> In addition, Vietnam has nearly completed negotiations with Russia to obtain Russia's S-400 Surface to Air Missile (SAM) system, which would provide Vietnam with greater air defense capabilities against increasing Chinese maritime aircraft patrols in the South China Sea.<sup>65</sup> Russia and India have also come to an agreement to export their jointly developed BrahMos supersonic cruise missile system to Vietnam, which would greatly enhance Vietnam's Navy against China's assertiveness in the South China Sea.<sup>66</sup> However, Vietnam, Russia, and India have yet to finalize this defense agreement, due to delayed financial negotiations caused by the coronavirus pandemic and because of Vietnam's limited defense budget.<sup>67</sup>

Vietnam and India have also completed several defense agreements. In October of 2014, Vietnam and India completed the purchase for four coastal patrol vessels to supplement Vietnam's coast guard as well as an agreement to further enhance joint coast guard cooperation efforts in the future.<sup>68</sup> Additionally, in May of 2015 Vietnam and India also signed a joint vision statement that further increased defense cooperation, by allowing for annual security dialogues, military service exchanges, and professional military training.<sup>69</sup> In fact, since the joint vision statement, Vietnam has received Kilo submarine

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<sup>63</sup> Anton Tsvetov, "Vietnam-Russia Relations: Glorious Past, Uncertain Future," in *Vietnam's Foreign Policy under Doi Moi*, ed. Le Hong Hiep and Anton Tsvetov (Baltimore, Maryland: Project Muse, 2018), 148.

<sup>64</sup> Trung and Vu, "The 2014 Oil Rig Crisis and its Implications for Vietnam-China Relations," 87.

<sup>65</sup> Wu Shang-Su, "The Development of Vietnam's Sea-Denial Strategy," *Naval War College Review* 70, no. 1 (January 2017): 151, ProQuest.

<sup>66</sup> Rahul Bedi, "Four Years After Modi's 'Act East' Promise, India No Closer to Selling BrahMos to Vietnam," *The Wire*, last modified July 2, 2020, <https://thewire.in/security/india-vietnam-brahmos-missile>.

<sup>67</sup> Bedi.

<sup>68</sup> Scott Harold et al., *The Thickening Web of Asian Security Cooperation: Deepening Defense Ties among U.S. Allies and Partners in the Indo-Pacific*, RR-3125-MCF (Santa Monica, California: RAND, 2019), 264.  
[https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR3100/RR3125/RAND\\_RR3125.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR3100/RR3125/RAND_RR3125.pdf).

<sup>69</sup> Harold et al., *The Thickening Web of Asian Security Cooperation*.

training from India as well as pilot safety training for its Su-27 Flanker and Su-30 fighter aircraft.<sup>70</sup> Ultimately, Vietnam and India's extensive defense agreements led both countries to elevate their strategic ties cooperation in 2016 to a strategic partnership.<sup>71</sup>

Vietnam has also furthered its external balancing with Japan with the receipt of several maritime patrol vessels. For instance, in August of 2014, in response to the 2014 oil rig incident, Japan announced it would assist Vietnam with its maritime enforcement patrols by donating six used patrol boats that Vietnam could use in future maritime patrols within the South China Sea.<sup>72</sup> Additionally, in October of 2014, Japan considered delivering several new maritime patrol vessels to the Vietnamese Coast Guard.<sup>73</sup> In February of 2016, Vietnam and Japan completed an agreement to allow Japan's Maritime Self Defense Force (MSDF) P-3 Orions to refuel at Vietnam's Cam Ranh air base.<sup>74</sup> Vietnam and Japan have also agreed on a military intelligence sharing pact, which could allow for further defense exchanges of classified military information between both countries' militaries in the future.<sup>75</sup>

Vietnam and the United States have also pledged to enhance defense cooperation in the future. However, with the exception of the U.S. lifting of the arms embargo in 2016, announcement of a comprehensive partnership in 2017, followed by the delivery of a U.S. Coast Guard cutter vessel and six Metal Shark patrol boats to the Vietnamese Coast Guard in May of 2017, there have not been significant defense agreements or defense cooperation between the two countries.<sup>76</sup> Thus, Vietnam does not exclusively externally balance with any one country, instead since the 2014 oil rig incident Vietnam has chosen to continually

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<sup>70</sup> Harold et al.

<sup>71</sup> Harold et al.

<sup>72</sup> Harold et al.

<sup>73</sup> Bjørn Grønning, "Japan's Security Cooperation with the Philippines and Vietnam," *The Pacific Review* 31, no. 4 (November 2017): 538, <https://doi.org/10.1080/09512748.2017.1397730>.

<sup>74</sup> Grønning, 540.

<sup>75</sup> Grønning, 540.

<sup>76</sup> Dang Cam Tu and Hang Thi Thuy Nguyen, "Understanding the U.S.-Vietnam Security Relationship, 2011–2017," *The Korean Journal of Defense Analysis* 31, no. 1 (March 2019): 129–30, Free E-Journals.

expand its defense partnerships with a select group of strategic partners to include Russia, India, and Japan. However, Vietnam does limit its defense cooperation with the United States, in order to avoid violating its own three no's policy of "not joining military alliances, not allowing foreign military bases on Vietnamese soil, and not allowing a foreign country to use Vietnamese soil to carry out military activities against other countries."<sup>77</sup>

#### **D. THE VANGUARD BANK INCIDENT**

The Vanguard Bank incident is an ongoing oil exploration dispute between Vietnam and China. Its origins can be traced to China's initial 1992 lease agreement with the Crestone Energy company to conduct exploration in blocks near Vanguard Bank.<sup>78</sup> Since the signing of that lease agreement, China and Vietnam have routinely disagreed on who has legitimate rights to conduct oil exploration within the area.<sup>79</sup> The U.S. Energy Information Administration estimates that the area around Vanguard Bank may contain up to 11 billion barrels of oil and 190 trillion cubic feet of natural gas reserves.<sup>80</sup> In June of 2017, Vietnam decided to pursue a joint oil exploration agreement with Repsol, a global energy oil exploration company based in Spain, and the UAE Mubadala development company to begin oil exploration in one of Vietnam's southern oil blocks, located near Vanguard Bank.<sup>81</sup> In response, China demanded Vietnam inform Repsol to cease all oil exploration activities within the exploratory block.<sup>82</sup> However, according to diplomatic sources in Hanoi, Vietnam refused China's request and within weeks of the initial

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<sup>77</sup> "2019VietnamNationalDefence.Pdf," Socialist Republic of Vietnam Ministry of National Defence, 23–24, accessed February 15, 2021, <http://www.mod.gov.vn/wps/wcm/connect/08963129-c9cf-4c86-9b5c-81a9e2b14455/2019VietnamNationalDefence.pdf?MOD=AJPERES&CACHEID=08963129-c9cf-4c86-9b5c-81a9e2b14455>.

<sup>78</sup> Zou, "China's U-Shaped Line in the South China Sea Revisited," 22.

<sup>79</sup> Zou, 22.

<sup>80</sup> Minh Trang and Quynh Nhu, "China undermines energy security in East Vietnam Sea," Tuoi Tre News, last modified July 25, 2019, <http://tuoitrenews.vn/news/politics/20190725/china-undermines-energy-security-in-east-vietnam-sea/50768.html>.

<sup>81</sup> Bill Hayton, "South China Sea: Vietnam Halts Drilling after 'China Threats'," BBC News, last modified July 23, 2017, <https://www.bbc.com/news/world-asia-40701121>.

<sup>82</sup> Ankit Panda, "Vietnam Requests Spain's Repsol Suspend Work in Disputed South China Sea Oil Block," *The Diplomat* (March 2018): 1, ProQuest.

agreement, China threatened the Vietnamese government that they would attack Vietnam's bases within the Spratly Islands, if Vietnam did not comply.<sup>83</sup> In July of 2017, Repsol was ordered to leave the drilling area by members of Vietnam's state oil firm PetroVietnam.<sup>84</sup> The decision to suspend the oil project inflicted a total loss of \$200 million on both Repsol and Mubadala due to initial development costs.<sup>85</sup> Ultimately, the joint oil exploration project was cancelled forcing Vietnam to pay both Repsol and Mubadala a total of \$1 billion in compensation and early termination fees for the oil exploration block.<sup>86</sup> In May of 2018, another petroleum company, Rosneft based in Russia, formally announced it would commence drilling wells in support of the Nam Con Son Basin project within Vietnam's southern EEZ; Figure 2 depicts Vietnam's Southern EEZ and Block 06–01.<sup>87</sup>

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<sup>83</sup> Carlyle Thayer, "Alarming Escalation in the South China Sea: China Threatens Force If Vietnam Continues Oil Exploration in Spratlys," *The Diplomat*, last modified July 24, 2017, <https://thediplomat.com/2017/07/alarming-escalation-in-the-south-china-sea-china-threatens-force-if-vietnam-continues-oil-exploration-in-spratlys/>.

<sup>84</sup> Hayton, "South China Sea: Vietnam Halts Drilling after 'China Threats.'"

<sup>85</sup> Panda, "Vietnam Requests Spain's Repsol Suspend Work in Disputed South China Sea Oil Block," 1.

<sup>86</sup> Bill Hayton, "China's Pressure Costs Vietnam \$1 Billion in the South China Sea," *The Diplomat* (July 2020): 1, ProQuest.

<sup>87</sup> "China Risks Flare-Up Over Malaysian, Vietnamese Gas Resources," Asia Maritime Transparency Initiative, December 13, 2019, <https://amti.csis.org/china-risks-flare-up-over-malaysian-vietnamese-gas-resources/>.



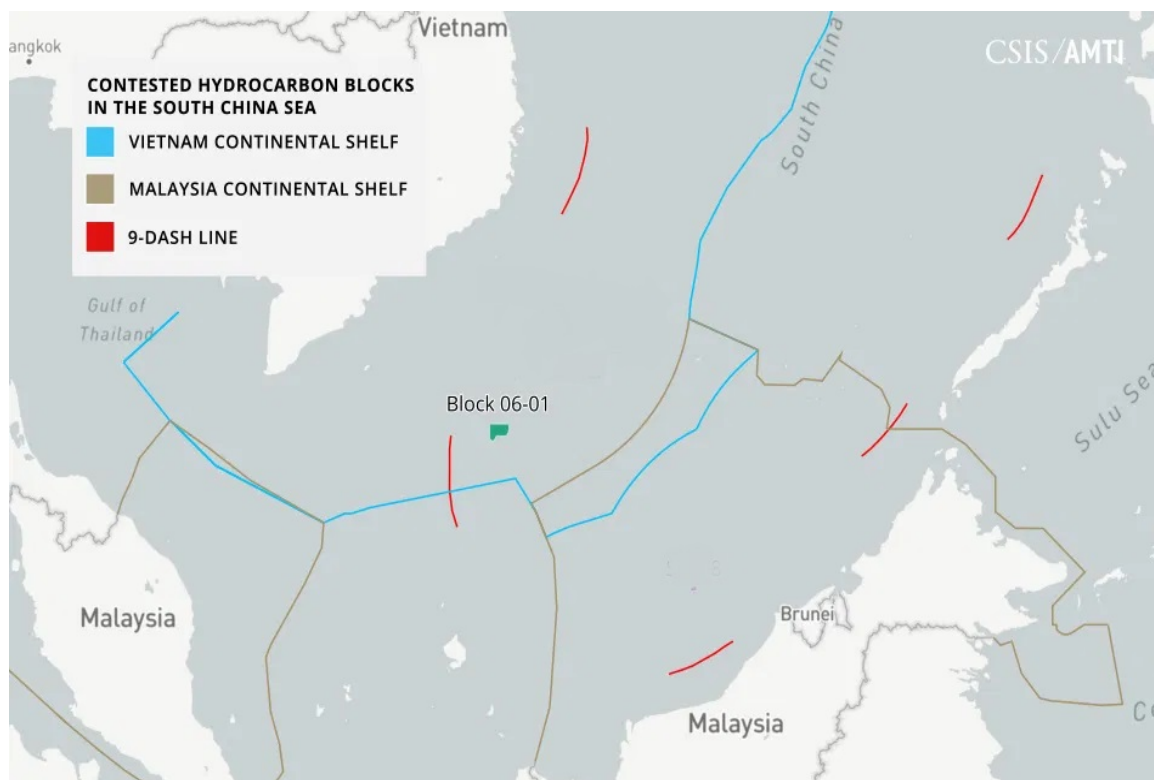


Figure 2. Vietnam's Southern EEZ and Oil Exploration Block 06–01.<sup>88</sup>

The Nam Con Son Basin project is a joint oil exploration project that will expand Vietnam's ability to bring petroleum by pipeline from Vietnam's EEZ for domestic use within Vietnam's mainland cities.<sup>89</sup> In response to Rosneft's announcement, China's Minister of Foreign Affairs Lu Kang stated in May 2018 that "any nation seeking to conduct oil or gas exploration as well as exploitation within Chinese jurisdictional waters must obtain permission from the Chinese government prior to commencing operations."<sup>90</sup> Despite China's previous warning, on May 12, 2019, the Japanese Hakuryu-5 a semi-submersible drilling rig jointly contracted by Vietnam and Russia, was given permission

<sup>88</sup> Adapted from Asia Maritime Transparency Initiative, "China Risks Flare-Up Over Malaysian, Vietnamese Gas Resources."

<sup>89</sup> "Russian petroleum giant sets up \$1bn joint venture in Vietnam," Tuoi Tre News, October 21, 2015 <https://tuoitrenews.vn/business/31111/russian-petroleum-giant-sets-up-1bn-joint-venture-in-vietnam>.

<sup>90</sup> "Foreign Ministry Spokesperson Lu Kang's Regular Press Conference on May 17, 2018," Foreign Ministry People's Republic of China, May 17, 2018, <https://www.fmprc.gov.cn/ce/ceun/eng/fyrth/t1560357.htm>.

by Vietnam to begin drilling operations at Vanguard Bank.<sup>91</sup> As a result, China viewed Vietnam's employment of the Hakuryu-5 oil rig as a violation of China's nine-dash line claim within the South China Sea.<sup>92</sup> In response to Vietnam's commencement of oil rig operations, on June 16, 2019, China dispatched a series of its coast guard ships to aggressively harass and disrupt the Hakuryu-5 oil rig's operations.<sup>93</sup> For instance, on July 2, 2019, the Chinese Coast Guard vessel 35111 maneuvered between the Hakuryu-5 oil rig at high speed passing within less than half of a nautical mile from the oil rig.<sup>94</sup> Despite a significant distance from China's mainland, each of the dispatched China coast guard vessels was able to maintain continuous presence near the rig by periodically rotating to resupply each coast guard vessel at China's Fiery Cross Reef.<sup>95</sup>

On July 3, 2019, China's SOE oil survey vessel the Haiyang Dizhi 8 entered the southern portion of Vietnam's EEZ in order to further disrupt Vietnam's exploration activities, and conduct its own seismic oil surveys within the region.<sup>96</sup> The Haiyang Dizhi 8 was also under protective escort by one of China's largest coast guard vessels, the Haijing 3901 a 12,000-ton Chinese Coast Guard vessel as well as accompanied by another 2,200-ton coast guard ship.<sup>97</sup> In response to the Haiyang Dizhi 8 violation of Vietnam's EEZ, Vietnam issued several diplomatic notes to China for them to withdraw the Haiyang Dizhi 8 from Vietnam's EEZ.<sup>98</sup> However, China repeatedly ignored each of Vietnam's formal

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<sup>91</sup> "China 'Openly Flouting International Law' with East Vietnam Sea Aggression: U.S. Representative" Tuoi Tre News, July 27, 2019, <https://tuoitrenews.vn/news/politics/20190727/china-openly-flouting-international-law-with-east-vietnam-sea-aggression-us-representative/50796.html>.

<sup>92</sup> Ankit Panda, "US Slams China's 'Bullying' Amid Vanguard Bank Oil Exploration Standoff with Vietnam," *The Diplomat* (July 2019): 1, ProQuest.

<sup>93</sup> Asia Maritime Transparency Initiative, "China Risks Flare-Up Over Malaysian, Vietnamese Gas Resources."

<sup>94</sup> Asia Maritime Transparency Initiative.

<sup>95</sup> Asia Maritime Transparency Initiative.

<sup>96</sup> "Vanguard Bank Is a Clear Example of Beijing's South China Sea Strategies in Action," ASEAN Today, August 15, 2019, <https://www.aseantoday.com/2019/08/vanguard-bank-is-a-clear-example-of-beijings-south-china-sea-strategies-in-action/>.

<sup>97</sup> Ankit Panda, "US Slams China's 'Bullying' Amid Vanguard Bank Oil Exploration Standoff with Vietnam." 1.

<sup>98</sup> Tuoi Tre News, "China 'Openly Flouting International Law' with East Vietnam Sea Aggression: U.S. Representative."

diplomatic requests to withdrawal its survey ship.<sup>99</sup> Consequently, as a result of China disrupting Vietnam's joint oil rig operations, Vietnam was forced to extend its drilling operations from July 30 to September 15, 2019.<sup>100</sup> On October 23, 2019, the Haiyang Dizhi 8 departed Vietnam's southern EEZ effectively ending the standoff.<sup>101</sup> After the incident was over, Vietnamese Major General Hoang announced that over 50 Vietnamese and 40 Chinese vessels were involved during the 4-month standoff.<sup>102</sup> However, in contrast to the previous China-Vietnam oil rig incident in 2014, Vietnamese vessels involved in this most recent incident only made minor attempts to force the Chinese oil survey ship out of their EEZ.<sup>103</sup>

Similar to the 2014 China-Vietnam oil rig crisis, the United States' involvement during the Vanguard Bank incident was also relatively limited for several reasons. The first reason is that it appears that Vietnam was unwilling to reach out to the United States during the Vanguard Bank incident for fear of violating its domestic three no's policy.<sup>104</sup> Another reason is that Vietnam still views the United States with suspicion and believes that the United States may eventually become increasingly involved in Vietnam's own domestic affairs and advocate for Vietnam to become a democracy.<sup>105</sup> However, while the U.S. role was limited during the Vanguard Bank incident, the United States did issue several formal diplomatic announcements against China. For example, Morgan Ortagus a spokeswoman for the U.S. Department of State, released a statement asserting that "repeated provocative actions aimed at the offshore oil and gas development of other claimant states threaten

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<sup>99</sup> Tuoi Tre News.

<sup>100</sup> "Vietnam extends operation of East Vietnam Sea oil rig amid Beijing's harassment at sea," Tuoi Tre News, July 27, 2019, <http://tuoitrenews.vn/news/politics/20190727/vietnam-extends-operation-of-east-vietnam-sea-oil-rig-amid-beijings-harassment-at-sea/50793.html>.

<sup>101</sup> Tuoi Tre News, "Vietnam extends operation of East Vietnam Sea oil rig amid Beijing's harassment at sea."

<sup>102</sup> Asia Maritime Transparency Initiative, "China Risks Flare-Up Over Malaysian, Vietnamese Gas Resources."

<sup>103</sup> Trung, "Vietnam's Uphill Battle in the South China Sea: A Need for More International Actors."

<sup>104</sup> Hoang, "Domestic Protests and Foreign Policy: An Examination of Anti-China Protests in Vietnam and Vietnamese Policy Towards China Regarding the South China Sea," 4.

<sup>105</sup> Bich Tran, "From 'Rebalance to Asia' to 'Free and Open Indo-Pacific': The Development of the U.S.-Vietnam Comprehensive Partnership," *Asia-Pacific Issues*, no. 141 (November 2019): 5, ProQuest.

regional energy security and undermine the free and open Indo-Pacific energy market.”<sup>106</sup> Despite the United States’ diplomatic declarations, like the 2014 oil rig crisis, it did not directly physically intervene in the Vanguard Bank incident. In addition, while the United States and Vietnam share a comprehensive partnership, as well as participate in high level dialogues, it still appears that Vietnam imposes its own limitations to its level of military partnership with the United States.<sup>107</sup> Moreover, this is also because Vietnam believes it risks angering China which is not only geographically closer to Vietnam but could easily inflict military coercion against Vietnam’s maritime forces at will.<sup>108</sup>

#### **E. POTENTIAL EXPLANATIONS OF VIETNAM’S RESPONSE**

The Vanguard Bank incident could be interpreted as a successful outcome for Vietnam because they were still able to achieve their domestic goal of performing some joint oil exploration with both Russia and Japan. However, Vietnam was continuously disrupted by China’s incursions throughout its joint oil exploration, despite Vietnam’s recent increases in internal and external balancing. In addition, ultimately Vietnam was unable to coerce China to withdraw from its own EEZ, which rendered the incident overall only moderately successful. Moreover, despite the continued presence of Vietnam’s Coast Guard, coastal patrol, and fishing vessels, China’s Haiyang Dizhi 8 routinely refused to leave the southern EEZ, except to briefly refuel at Fiery Cross Reef, arriving a week later to continue its disruption of Vietnam’s joint oil operations.<sup>109</sup> In the future Vietnam’s inability to coerce Chinese vessels to leave its EEZ could impact Vietnam’s domestic economy and its own ability to undertake joint exploration with other countries in order to sustain its growing domestic energy requirements.

One potential explanation why Vietnam’s response was moderately successful at Vanguard Bank was because Vietnam was inconsistent in its initial response to China’s

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<sup>106</sup> Ankit Panda, “Vietnam Extends Oil Rig Operations Amid Vanguard Bank Standoff with China,” *The Diplomat* (July 2019):1, ProQuest.

<sup>107</sup> Tu and Nguyen, “Understanding the U.S.-Vietnam Security Relationship, 2011–2017,” 136.

<sup>108</sup> Tu and Nguyen, 137.

<sup>109</sup> Trinh Le, “China’s Dominance on Display in the South China Sea,” *The Diplomat* (August 2019):1, ProQuest.

assertiveness. Initially, Vietnam decided to aggressively deploy its Coast Guard and maritime enforcement vessels to confront China's violation of Vietnam's EEZ. However, after arrival Vietnam's vessel shifted to a more accommodative response by simply observing the Haiyang Dizhi 8 and its escorts in the southern area of Vietnam's EEZ.<sup>110</sup> If Vietnam had maintained a more aggressive approach with China by deploying more maritime enforcement vessels, it is possible they could have compelled China to withdraw from their EEZ similar to the China-oil rig incident in 2014.

Another potential explanation for why Vietnam's response was moderately successful at Vanguard Bank, is due to Vietnam's unwillingness to overtly engage in external balancing against China. Indeed, Vietnam still views China as a strategic partner along with Russia and India both in diplomatic and economic cooperation.<sup>111</sup> In addition, Vietnam's government realizes that it must carefully consider its maritime responses when confronting China's assertiveness in the South China Sea, due to growing domestic anti-Chinese sentiment in Vietnam and also between Vietnamese business elites who are still economically dependent on China.<sup>112</sup> Thus, Vietnam must strategically consider its own domestic politics within the country when it chooses to externally balance with other countries, as well as when it contemplates a maritime response against China's assertiveness in the South China Sea.<sup>113</sup>

## **F. LOOKING FORWARD**

Since the Vanguard Bank incident in 2019, Vietnam has continued to expand its maritime defense capabilities in order to protect its national sovereignty from the consistent challenges by China in the South China Sea.<sup>114</sup> In December 2019, Vietnam released its National Defense White Paper of 2019, which states that it will continue to seek external

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<sup>110</sup> Panda, "US Slams China's 'Bullying' Amid Vanguard Bank Oil Exploration Standoff with Vietnam," 1.

<sup>111</sup> Derek Grossman, "Reviewing Vietnam's 'Struggle' Options in the South China Sea," *The Diplomat* (May 2020): 1, ProQuest.

<sup>112</sup> Fitch Solutions Country Industry Reports, *Vietnam Defence & Security Report-2020*.

<sup>113</sup> Fitch Solutions Country Industry Reports.

<sup>114</sup> Fitch Solutions Country Industry Reports.

partnerships with other nations that respect its sovereignty and have common interests.<sup>115</sup> Moreover, this could possibly be interpreted as evidence that Vietnam's leaders no longer view closer military cooperation with other foreign countries as a violation of its three no's policy. Vietnam's 2020 defense funding has also remained focused on increasing maritime defense funding in the areas of Anti-Access/Area Denial (A2/AD) capabilities such as anti-ship ballistic missiles, frigates, and fast attack crafts (FAC).<sup>116</sup> Unfortunately, Vietnam's total defense expenditure is projected to remain at 2.4% of its GDP until 2024.<sup>117</sup> Vietnam has also continued to place an emphasis on allocation of funding for its continued construction of domestic warships into the immediate future.<sup>118</sup> However, Vietnam still spends heavily on maintaining its active duty personnel and aging Soviet purchased equipment.<sup>119</sup> In the coming years, it will be essential for Vietnam to continue its development of domestic defense research technology as well as its domestic shipbuilding in order to gradually reduce its dependence on outdated defense technologies from other countries.

## G. CONCLUSION

Since the 2014 oil rig incident, Vietnam has not pursued increased coercive diplomacy against China's assertiveness in the South China Sea. In fact, no evidence was found during research that Vietnam has responded as aggressively to China as it did during the 2014 oil rig incident. Research suggests that Vietnam takes a more calculated approach when responding to China's violations of its own EEZ by assessing its domestic politics and its relationship with China and other great powers. Research findings indicate that since 2014, Vietnam has increased its internal balancing significantly through the redistribution of its military funds from a land-focused military toward more maritime

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<sup>115</sup> Thanh et al., *Vietnam National Defense White Paper 2019* (Hanoi, Vietnam: National Political Publishing House, 2019), [http://news.chinhphu.vn/Uploaded\\_VGP/phamvanthua/20191220/2019VietnamNationalDefence.pdf](http://news.chinhphu.vn/Uploaded_VGP/phamvanthua/20191220/2019VietnamNationalDefence.pdf).

<sup>116</sup> Fitch Solutions Country Industry Reports, *Vietnam Defence & Security Report-2020*.

<sup>117</sup> Fitch Solutions Country Industry Reports.

<sup>118</sup> Fitch Solutions Country Industry Reports.

<sup>119</sup> Fitch Solutions Country Industry Reports.

defense capabilities due to the growing threat of China. Additionally, Vietnam has increased its own domestic ship-building capacities to counter China's increasing threat. However, despite Vietnam's use of increased internal balancing it has not yet resulted in more successful outcomes when facing China's assertiveness in the South China Sea.

Vietnam's growing economy and expanding trade with other trading partners such as the United States, Japan, and South Korea enable it to not be completely economically dependent on trade with China, which reduces its vulnerability to Chinese economic coercion. However, Vietnam's resilient economy has also not led to successful outcomes with China in the South China Sea. Moreover, Vietnam has yet to concede or enter into a joint-oil exploration agreement with China, nor have they allowed China to conduct maritime patrols in their EEZ without contest. However, Vietnam's unwillingness to concede to China's demands has also proven to be very costly for Vietnam. Vietnam has lost several foreign partners and over \$1 billion to China's disruption of its recent joint-exploration activities within Vietnam's EEZ, resulting in an overall unsuccessful economic outcome for Vietnam.

Research also demonstrates that Vietnam does not exclusively externally balance with the United States. Instead, Vietnam chooses to externally balance with several countries such as Russia, India, and Japan. In addition, on October 20, 2020, Vietnam and Japan signed a defense agreement to transfer military technologies between both countries in order to enhance defense cooperation going forward into the future.<sup>120</sup> Moreover, it is likely that Vietnam will continue to further its defense partnerships with its strategic partners in order to maintain its access to more advanced defense technologies to ultimately counter China's growing assertiveness in the South China Sea.

Limited evidence was found during research to support the hypothesis that stronger diplomatic support from the international community results in a more successful outcome. Vietnam chose to limit domestic media exposure during the Vanguard Bank incident in order to not internationalize the issue. However, Vietnam did threaten legal arbitration

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<sup>120</sup> Hau Dinh and Mary Yamaguchi, "Japan to Export Defense Tech to Vietnam under New Agreement," Defense News, last modified October 19, 2020, <https://www.defensenews.com/global/asia-pacific/2020/10/19/japan-to-export-defense-tech-to-vietnam-under-new-agreement/>.

against China after the Vanguard Bank incident, which has caused limited international community involvement. For example, Vietnam's diplomatic statements at the most recent South China Sea conference in November of 2019, of intending to file a legal arbitration case against China, appears to have affected China's coercive behavior.<sup>121</sup> However, despite Vietnam's recent legal threats at the SCS conference, Vietnam has yet to successfully persuade China from routinely violating Vietnam's EEZ.

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<sup>121</sup> Prashanth Parameswaran, "What Would a Vietnam South China Sea Legal Challenge Mean?," *The Diplomat* (November 2019): 1, ProQuest.



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### **III. MALAYSIA'S RESPONSES TO CHINA (2013–2020)**

Malaysia's responses to China's assertiveness in the South China Sea have been ultimately less successful because they have been inconsistent and uncoordinated. Additionally, Malaysia's failures may be compounded in the future due to its increased susceptibility to economic coercion and its closer diplomatic ties with China. This chapter will examine China's incursions into Malaysia's EEZ at Luconia Shoals, which will provide a historical background to Malaysia's responses to China's assertiveness in the South China Sea, as well as demonstrate existing political struggles within Malaysia that have contributed to Malaysia's inconsistent responses. Then, it will discuss how Malaysia's declining defense budget and persistent land threats have resulted in limited internal and external balancing since these initial incidents, which provides necessary background on explaining Malaysia's most recent response during the West Capella incident. This chapter will also demonstrate that Malaysia was overall unsuccessful in failing to force China to depart its EEZ for several years and made minimal efforts to increase their capabilities in the country. As a result, Malaysia may lose its ability to conduct oil exploration within its own EEZ and could be forced in the future to accept joint oil development projects with China. This chapter will conclude with a summary of my research findings.

#### **A. ORIGINS OF CHINA'S ASSERTIVENESS AT LUCONIA SHOALS**

The Luconia Shoals are located in Malaysia's EEZ off the coast of Sarawak state and have been a contested region for several years. Many of the Luconia Shoals are underwater at high tide, but they are still considered to be a part of Malaysia's continental shelf according to the 1979 Malaysia New Map (see Figure 3 depicts a map of Luconia Shoals).<sup>122</sup>

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<sup>122</sup> Mohammad Ahmad and Mohd Azizuddin Mohd Sani, "China's Assertive Posture in Reinforcing its Territorial and Sovereignty Claims in the South China Sea: An Insight into Malaysia's Stance," *Japanese Journal of Political Science* 18, no. 1 (March 2017): 74, <https://doi.org/10.1017/S1468109916000323>.



Figure 3. Map of Luconia Shoals.<sup>123</sup>

The Luconia Shoals are known to possess several natural gas and oil reserves that Malaysia has utilized for its own domestic energy purposes for several years.<sup>124</sup> In August of 2013, China began increasing its presence in the Luconia Shoals by completing several maritime patrols, culminating in a Chinese Coast guard vessel the Haijing 1123 dropping its anchor within the Luconia Shoals and maintaining its presence until November 2015.<sup>125</sup> However, despite China's assertiveness within the Luconia Shoals many responses from Malaysia's Najib administration were weak in responding to China's assertiveness in the South China Sea. For instance, Malaysia allowed Chinese Coast Guard ships to remain in

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<sup>123</sup> Source: "Luconia Shoals Map," ABC News, August 8, 2016, <https://www.abc.net.au/news/2016-08-08/luconia-shoals-south-china-sea-map/7682522>.

<sup>124</sup> "China/Malaysia: Sea Dispute Endangers Friendly Ties," *Oxford Analytica Daily Brief Service*, July 21, 2015, 1, ProQuest.

<sup>125</sup> "Tracking China's Coast Guard off Borneo," Asia Maritime Transparency Initiative, April 5, 2017, <https://amti.csis.org/tracking-chinas-coast-guard-off-borneo/>.

its EEZ for a duration of time without military opposition but at the same time it issued diplomatic statements against China.<sup>126</sup> Moreover, during the extended standoff in October 2013 the Malaysian government also elevated its bilateral ties with China to a strategic partnership.<sup>127</sup> In January of 2014, the Najib Ministry of Defense's Royal Malaysia Navy Chief Admiral Jaafar routinely denied foreign media reports that China was consistently violating Malaysia's EEZ in the Luconia Shoals, arguing that the presence of Chinese ships was due to China's adjacent military exercises within the area.<sup>128</sup> Similarly, Malaysia has also taken a limited diplomatic stance on the South China Sea disputes. At the Shangri-La dialogue of May of 2015, Defense Minister Hishammuddin Hussein warned countries that the South China Sea disputes could become a potentially deadly conflict.<sup>129</sup> However in June of 2015, Shahidan Kassim, the National Security Minister in Najib's administration, posted aerial photographs of China's Coast Guard vessels violating Malaysia's EEZ on his Facebook social media profile; in order to internationalize the ongoing incident.<sup>130</sup> Yet in November of 2015, at the Asia-Pacific Economic Cooperation (APEC) Meeting, Malaysia had resumed a more non-confrontational stance, when Malaysia's Prime Minister Najib publicly stated that Malaysian and Chinese relations were at their highest levels.<sup>131</sup> Each of these contrasting views from Malaysian government officials suggests that Malaysia was not able to present a coordinated response to China's assertiveness in the South China Sea.<sup>132</sup> Instead, several different Malaysian leaders issued uncoordinated responses that highlighted differing positions in relation to the South China Sea conflict. Moreover, these incidents can serve as initial evidence that the Malaysian government has adopted a limited

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<sup>126</sup> Ahmad and Mohd Sani, "China's Assertive Posture in Reinforcing its Territorial and Sovereignty Claims in the South China Sea: An Insight into Malaysia's Stance," 83.

<sup>127</sup> Cheng-Chwee Kuik, "Malaysia Between the United States and China: What Do Weaker States Hedge Against?," *Asian Politics & Policy* 8, no. 1 (January 2016): 161, <https://doi.org/10.1111/aspp.12240>.

<sup>128</sup> Ahmad and Mohd Sani, "China's Assertive Posture in Reinforcing its Territorial and Sovereignty Claims in the South China Sea: An Insight into Malaysia's Stance," 83.

<sup>129</sup> "Malaysia Wakes Up to China," *Wall Street Journal Asia*, June 10, 2015, 1, ProQuest.

<sup>130</sup> Asia Maritime Transparency Initiative, "Tracking China's Coast Guard off Borneo."

<sup>131</sup> Ahmad and Mohd Sani, "China's Assertive Posture in Reinforcing its Territorial and Sovereignty Claims in the South China Sea: An Insight into Malaysia's Stance," 91.

<sup>132</sup> Ahmad and Mohd Sani, 84.

bandwagoning approach when responding to China's assertiveness in the South China Sea, in which it attempts to preserve its economic gains from friendly China-Malaysian relations, yet also seeks to preserve its own territorial sovereignty from Chinese incursions.<sup>133</sup>

The most significant violation of Malaysia's EEZ at the Luconia Shoals occurred on March 25, 2016, in which over 100 Chinese fishing vessels and a Chinese Coast Guard vessel trespassed within Malaysia's EEZ.<sup>134</sup> In response, Shahidan Kassim publicly stated that the Malaysian Maritime Enforcement Agency (MMEA) had sent its coastal law enforcement vessels to investigate the area.<sup>135</sup> However, following Kassim's statements both the MMEA and the Royal Malaysian Navy (RMN) forces senior officials later issued claims arguing that no Chinese ships had been located within the EEZ, resulting in an overall inconsistent diplomatic response.<sup>136</sup> China's foreign minister spokesman Hong Lei responded to Malaysia's public statements, claiming that it was fishing season for China and that Chinese fishing trawlers were carrying out normal fishing activities within the South China Sea.<sup>137</sup> Following China's Foreign Ministry comments, Malaysia displayed a more assertive diplomatic stance by summoning China's Ambassador Huang Huikang, to seek clarification of China's EEZ violations and to officially register a diplomatic complaint about the incident.<sup>138</sup> However, despite making various assertive diplomatic statements, Malaysia continued its limited bandwagoning approach by downplaying China's previous EEZ violations in favor of stronger economic ties, just as it had done in response to the first Luconia Shoals incident in 2013. In fact, in November of 2016, Prime

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<sup>133</sup> Ahmad and Mohd Sani, 92.

<sup>134</sup> "Malaysia/China: A Hundred Chinese Boats Encroach in Malaysian Waters," *Asia News Monitor*, March 29, 2016, 1, ProQuest.

<sup>135</sup> Chow-Bing Ngeow, "Malaysia's China Policy and the South China Sea Dispute Under the Najib Administration (2009–2018): A Domestic Policy Process Approach," *Asian Politics & Policy* 11, no. 4 (October 2019): 596, <https://doi.org/10.1111/aspp.12494>.

<sup>136</sup> Ngeow, "Malaysia's China Policy and the South China Sea Dispute Under the Najib Administration (2009–2018): A Domestic Policy Process Approach," 596.

<sup>137</sup> "Malaysia/China: A Hundred Chinese Boats Encroach in Malaysian Waters."

<sup>138</sup> Yantoultra Ngui, "Malaysia Summons Chinese Ambassador Over Approach of Boats; Kuala Lumpur Says Chinese Boats Entered Malaysian Waters in the South China Sea," *Wall Street Journal*, March 31, 2016, 1, ProQuest.

Minister Najib met with Chinese President Xi Jinping to finalize 14 joint financial agreements worth \$34 billion.<sup>139</sup>

Malaysia's responses have been traditionally non-confrontational toward China, yet occasionally Malaysia appears to have taken a more assertive diplomatic stance toward China's maritime claims by issuing diplomatic statements against China's violations in Malaysia's EEZ. Malaysia's inconsistent responses to China's assertiveness can be explained in several different ways. One reason is that the Najib administration faced ongoing domestic political struggles within the country. In fact, the main political struggle within the Najib Administration was the need for money to bail out Malaysia's 1 Malaysia Development Berhad (1MDB) state fund. In 2015, Najib was accused of stealing over \$600 million from Malaysia's 1MDB state investment fund.<sup>140</sup> In order to address this, in 2016 Najib made several requests to Chinese state-owned companies to make direct payments to the 1MDB fund, to alleviate the state fund's growing indebtedness.<sup>141</sup> Thus, Najib's averseness to challenge China's violations in Malaysia's EEZ, could be explained at least partly by his need to maintain a limited bandwagoning approach by maintaining a positive business relationship with China, yet also downplaying that China poses a threat to Malaysia's maritime security. Another reason is that many business elites within Malaysia also have close economic ties to China's mainland corporations, which makes an assertive approach to the Luconia Shoals incidents unfavorable to Malaysia's business elites.<sup>142</sup> Moreover, Malaysia is heavily reliant on trade with China, both countries possess a strong trade relationship and continue to develop their economic ties.<sup>143</sup> In fact, Malaysia's

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<sup>139</sup> "China/Malaysia: China-Malaysia Meeting Showcases Quiet Cooperation on Maritime Dispute," *Asia News Monitor*, November 11, 2016, 1, ProQuest.

<sup>140</sup> Elina Noor and T. N. Qistina, "Great Power Rivalries, Domestic Politics and Malaysian Foreign Policy," *Asian Security* 13, no. 3 (September 2017): 207, <https://doi.org/10.1080/14799855.2017.1354568>.

<sup>141</sup> Prashanth Parameswaran, "A China Bailout in Malaysia's 1MDB Scandal?," *The Diplomat*, last modified January 15, 2019, <https://thediplomat.com/2019/01/a-china-bailout-for-malaysias-1mdb-scandal/>.

<sup>142</sup> Ngeow, "Malaysia's China Policy and the South China Sea Dispute Under the Najib Administration (2009–2018): A Domestic Policy Process Approach," 599.

<sup>143</sup> Ahmad and Mohd Sani, "China's Assertive Posture in Reinforcing its Territorial and Sovereignty Claims in the South China Sea: An Insight into Malaysia's Stance," 67.

exports to China have increased from \$2.4 billion in 1995 to \$36.1 billion in 2018.<sup>144</sup> In addition, ethnic Chinese business elites living within the country, generally prefer a friendlier approach in Malaysia-China relations.<sup>145</sup> In turn, these domestic factors have severely limited the Najib administration's foreign policy response toward China's assertiveness in the South China Sea, due to the need for the administration to remain favorable within its political constituencies within the country by preserving Malaysia's economic prosperity in order to maintain the ruling elite's political legitimacy.<sup>146</sup>

Malaysia has completed only limited internal balancing due to its limited defense budget and focus on persistent land-based threats. Malaysia's limited defense budget is allocated primarily to its operational costs, instead of defense procurement costs. In fact, defense data collected from 2014 to 2018 reveals that Malaysia's operational defense costs consume 77.5% of the annual budget, while its development expenditures account for only 22.5%.<sup>147</sup> In addition, since 2014, Malaysia's defense budget has been in decline from \$4.1 billion to \$3.2 billion in 2019.<sup>148</sup> Malaysia's maritime developmental constraints can be illustrated by its inability to construct its new naval base in Sarawak.<sup>149</sup> The purpose of the proposed naval base at Sarawak was to demonstrate to China that Malaysia was willing to protect its oil reserves against future China incursions at Luconia Shoals.<sup>150</sup> However, the proposed naval base was unable to receive enough funding for development because of

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<sup>144</sup> "China (CHN) and Malaysia (MYS) Trade," The Observatory of Economic Complexity, accessed January 7, 2021, <https://oec.world/en/profile/bilateral-country/chn/partner/mys?measureBilateralTradeSelector=vizValueOption2>.

<sup>145</sup> Ngeow, "Malaysia's China Policy and the South China Sea Dispute Under the Najib Administration (2009–2018): A Domestic Policy Process Approach," 599.

<sup>146</sup> Ngeow, 599.

<sup>147</sup> Ananthan Subramaniam, Amirudin Sulaiman, and Wong Loong, "Defense Spending in an Era of Uncertainty and Budgetary Constraints," *Defence Science and Technology Technical Bulletin* 11, no.2 (January 2018): 333, ProQuest.

<sup>148</sup> Zachary Abuza, "The Maritime Security Challenge in Sabah," *The Maritime Executive*, last modified August 16, 2019, <https://www.maritime-executive.com/editorials/the-maritime-security-challenge-in-sabah>.

<sup>149</sup> Ahmad and Mohd Sani, "China's Assertive Posture in Reinforcing its Territorial and Sovereignty Claims in the South China Sea: An Insight into Malaysia's Stance," 93.

<sup>150</sup> Ahmad and Mohd Sani, 93.

Malaysia's limited defense budget.<sup>151</sup> In turn, Malaysia's minimal defense funding for military development contributes to Malaysia's inability to allocate sufficient funding to its own maritime asset and infrastructure development.

However, it is important to note that Malaysia does display some evidence of limited internal balancing. For example, China's incursions within Malaysia's EEZ has driven Malaysia to increase its maritime patrols from 269 days in 2014 to 345 days in 2015 around the Luconia Shoals since the initial 2013 incident, which places a growing demand on Malaysia's aging fleet.<sup>152</sup> Malaysia has also focused on increasing its maritime domain awareness by announcing its intention to acquire additional maritime patrol aircraft and unmanned aerial systems (UAS) in the future.<sup>153</sup> Moreover, this is due to Malaysia continuing to face land threats from Islamic militant groups such as Jemaah Islamiyah (JI) and Abu Sayyaf, as well as illegal border crossings from the Southern Philippines.<sup>154</sup> The culmination of these factors has prevented Malaysia from shifting more of its defense funding toward more maritime capabilities in the South China Sea. Instead, Malaysia's internal balancing has been limited, with a retained focus on land-based threats posed by transnational actors, this has resulted in much of its defense funding being devoted to the army and relatively little to developing its own maritime capabilities and supporting infrastructure.

Malaysia's reduced defense spending has also resulted in limited external balancing with other countries such as the United States, Japan, and India. During President Obama's visit in April of 2014, Malaysia and the United States finally agreed to upgrade their

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<sup>151</sup> Ahmad and Mohd Sani, 93.

<sup>152</sup> Elina Noor, "Malaysia: Recalibrating Its South China Sea Policy?," Asia Maritime Transparency Initiative, last modified January 8, 2016, 2, <https://amti.csis.org/malaysia-recalibrating-its-south-china-sea-policy/>.

<sup>153</sup> Joseph Hammond, "Malaysia Defends Sovereignty by Improving Maritime Defense," *Indo-Pacific Defense Forum* (blog), October 21, 2020, <https://ipdefenseforum.com/2020/10/malaysia-defends-sovereignty-by-improving-maritime-defense/>.

<sup>154</sup> Fitch Solutions Country Industry Reports, *Malaysia Defence & Security Report-2020*, (London, UK: Fitch Solutions Group Limited, 2020).



bilateral ties to a comprehensive partnership.<sup>155</sup> Following the comprehensive partnership, Malaysia also allowed the installation of U.S. coastal surveillance radars within its Sabah State.<sup>156</sup> In addition, Malaysia also offered to allow the U.S. Navy P-8 Poseidon to fly from Malaysia's Labuan island off the coast of Borneo, to assist in maritime cooperation surveillance efforts in the South China Sea.<sup>157</sup> In February 2015 the U.S. agreed to deliver 12 coastal patrol boats to Malaysia's Eastern Sabah security command (ESSCOM) to further increase its coastal surveillance capabilities and provide Malaysia with early warning of potential land based threats.<sup>158</sup> Malaysia has also reached defense agreements with Japan. In September of 2014, Malaysia allowed Japanese self-defense vessels to dock at Kota Kinabalu naval port for the first time since World War II.<sup>159</sup> In addition, on May 25, 2015, both Malaysia and Japan elevated each other's ties to the level of strategic partnership.<sup>160</sup> In July of 2017, Malaysia also received two Japanese Coast Guard cutters, a 1,700-ton Pekan and 1,500-ton Arau class, which became Malaysia's largest Coast Guard cutter ships in its MMEA fleet.<sup>161</sup> Malaysia has also externally balanced with India, through joint training mechanisms such as the SU-30 aircraft forum which provides training and maintenance guidance to Malaysia's Air Forces.<sup>162</sup> In addition, Malaysia and

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<sup>155</sup> Kuik, "Malaysia Between the United States and China: What Do Weaker States Hedge Against?," 159.

<sup>156</sup> Kuik, 164.

<sup>157</sup> Trefor Moss, "Malaysia Offers to Host U.S. Navy Aircraft," *Wall Street Journal*, last modified September 12, 2014, <https://online.wsj.com/articles/malaysia-offers-to-host-u-s-navy-aircraft-military-official-says-1410524618>.

<sup>158</sup> Kuik, "Malaysia Between the United States and China: What Do Weaker States Hedge Against?," 164.

<sup>159</sup> "Japan/Malaysia: Defence Ties May Estrange Beijing," *OxResearch Daily Brief Service*, July 6, 2015, 2, ProQuest.

<sup>160</sup> "Japan/Malaysia," 2.

<sup>161</sup> Alex Vuving, "Tracking Malaysia's Force Build-up in the South China Sea," Asia Maritime Transparency Initiative, last modified October 20, 2017, <https://amti.csis.org/tracking-malaysias-force-build-up/>.

<sup>162</sup> Manu Pubby, "India, Malaysia to Deepen Defence Ties, Set up Su 30 Forum [Defence]," *Economic Times*, November 24, 2015, 1, ProQuest.

India have also enhanced intelligence sharing, as well as agreeing to further joint exercises between the two countries.<sup>163</sup>

At the same time, however, Malaysia has pursued closer defense cooperation with China, in which it has performed some military cooperation as well as completed a formalized defense agreement. One example of Malaysia's military cooperation with China occurred in December of 2014, where both China and Malaysian armed forces held their first joint tabletop exercise in Malaysia's Joint Warfare center.<sup>164</sup> Another example occurred in September 2015, when China and Malaysia completed their first joint live fire exercise in the Straits of Malacca.<sup>165</sup> Malaysia has also completed a defense agreement with China. In fact, in November 2016 at a financial agreement meeting, Malaysia and China signed a defense contract for the purchase of four Chinese littoral mission class ships for future use in maritime patrols.<sup>166</sup> Malaysia has also demonstrated limited bandwagoning by allowing China to complete two port visits in 2017 with its PLA submarines at Malaysia's northern naval base in Sabah.<sup>167</sup>

Ultimately, Malaysia's reduced external balancing and limited bandwagoning policy behavior with China can best be described as Malaysia hedging lightly between the U.S. and China. Moreover, this is due to rising great power competition between both the U.S. and China, and the fear of becoming entrapped in a potential great power conflict.<sup>168</sup> Malaysia's light hedging strategy enables Malaysian ruling elites especially the BN political party, to consolidate their political power by improving the country's economic prosperity by compromising with China.<sup>169</sup> Moreover, Malaysian elites also address

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<sup>163</sup> Pubby, 1.

<sup>164</sup> Kuik, "Malaysia Between the United States and China: What Do Weaker States Hedge Against?," 168.

<sup>165</sup> Kuik, 171.

<sup>166</sup> "Malaysia: Malaysia Looks to Revamp Navy Citing ISIL, South China Sea Tension as Reasons," *Asia News Monitor*, March 22, 2017, 1, ProQuest.

<sup>167</sup> Ngeow, "Malaysia's China Policy and the South China Sea Dispute Under the Najib Administration (2009–2018): A Domestic Policy Process Approach," 596.

<sup>168</sup> Kuik, "Malaysia Between the United States and China: What Do Weaker States Hedge Against?," 170.

<sup>169</sup> Kuik, 170.

external security concerns such as China's previous EEZ violations by downplaying them as an insignificant security threat to the country.<sup>170</sup> In turn, this allows Malaysia's ruling elites to be perceived as a legitimate governing power in the eyes of the Malaysian population.<sup>171</sup> Conversely, Malaysia has also expanded its limited defense cooperation and economic efforts in similar areas with the United States.<sup>172</sup> Malaysia's ability to lightly hedge between both great powers allowed its former ruling political party to acquire mutual economic and defense benefits from both of the great powers, without placing the country in a formally aligned position that could incur significant security or economic risks.<sup>173</sup>

## **B. THE WEST CAPELLA INCIDENT**

The West Capella Incident is the most recent maritime standoff in the South China Sea that began in October of 2019 involving China, Malaysia, and Vietnam. The *West Capella* is a British vessel that operated under contract with Malaysia's state-owned oil exploration company Petronas.<sup>174</sup> The incident began after the *West Capella* initiated in October 2019 its oil survey operations off the coast of Malaysia's Sabah state and can be viewed as a direct maritime challenge made by the Mahathir administration to China's nine-dash line claims in the South China Sea.<sup>175</sup>

On December 6, 2019, two Chinese Coast Guard ships the Haijing 5202 and Haijing 5403 began harassing the *West Capella's* operations.<sup>176</sup> During the same time of the operations, on December 12, 2019, Malaysia submitted a new continental shelf claim to

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<sup>170</sup> Kuik, 166.

<sup>171</sup> Kuik, 166.

<sup>172</sup> Kuik, 158.

<sup>173</sup> Kuik, 170.

<sup>174</sup> Prashanth Parameswaran, "Chinese Survey Vessel Incident Puts Malaysia's South China Sea Approach Under Scrutiny," The Jamestown Foundation, last modified May 1, 2020, <https://jamestown.org/program/chinese-survey-vessel-incident-puts-malaysias-south-china-sea-approach-under-scrutiny/>.

<sup>175</sup> "Malaysia Picks a Three-Way Fight in the South China Sea," Asia Maritime Transparency Initiative, February 21, 2020, <https://amti.csis.org/malaysia-picks-a-three-way-fight-in-the-south-china-sea/>.

<sup>176</sup> Asia Maritime Transparency Initiative, "Malaysia Picks a Three-Way Fight in the South China Sea."

the United Nations Commission on the Limits of the Continental Shelf (CLCS) that would extend Malaysia's continental shelf beyond the original 200 nautical miles from its country's baselines.<sup>177</sup> Although indirectly related to the *West Capella* incident, the significance of this submission was that it was the first of a series of *note verbales* submissions followed by other claimant countries such as the Philippines, Vietnam, and Indonesia that explicitly rejected China's nine-dash line claim.<sup>178</sup> In response to Malaysia's submission, China quickly issued a *note verbale* repeating its prior claim that it had historic rights to the entire South China Sea.<sup>179</sup> Despite China's continued protest against the *West Capella's* operations, on December 21, 2019, the vessel completed its initial survey in the ND-4 oil exploratory block and moved toward its next exploratory block ND-2 located within the jointly claimed zone claimed by both Malaysia and Vietnam.<sup>180</sup> The Chinese Coast Guard vessel Haijing 5203 arrived on scene immediately after the *West Capella* had entered the jointly claimed zone, harassing the *West Capella's* operations by maneuvering at high speeds toward the surveying vessel during its operations.<sup>181</sup> At the same time, two Vietnamese vessels that were not broadcasting their Automated Identification System (AIS), a requirement for vessels operating at sea, were also present observing and demanding that the *West Capella* leave the jointly claimed area.<sup>182</sup>

In January 2020, Malaysia militarily responded to China's Coast Guard vessel harassment by deploying its own KD *Jebat*, a frigate, to assist with guarding the *West Capella* and its supply ships.<sup>183</sup> While the KD *Jebat* only patrolled the area for 3 days

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<sup>177</sup> Nguyen Thao, "Malaysia's New Game in the South China Sea," *The Diplomat*, last modified December 21, 2019, <https://thediplomat.com/2019/12/malaysias-new-game-in-the-south-china-sea/>.

<sup>178</sup> Linh Pham, "South China Sea-Related Notes Verbales Might Deal Huge Blow to China's Prestige: Thayer," *Hanoi Times*, last modified August 6, 2020, <http://hanoitimes.vn/south-china-sea-related-notes-verbales-might-deal-huge-blow-to-chinas-prestige-thayer-313721.html>.

<sup>179</sup> Thao, "Malaysia's New Game in the South China Sea."

<sup>180</sup> Asia Maritime Transparency Initiative, "Malaysia Picks a Three-Way Fight in the South China Sea."

<sup>181</sup> Asia Maritime Transparency Initiative.

<sup>182</sup> Asia Maritime Transparency Initiative.

<sup>183</sup> Asia Maritime Transparency Initiative

before returning to its port, this did apparently persuade the Chinese Coast Guard Haijing 5203 to momentarily cease its harassment of the *West Capella*.<sup>184</sup> On January 12, 2020, the *West Capella* left the jointly claimed area and proceeded to the ND-2 oil exploration block.<sup>185</sup> At this time, another Chinese Coast Guard vessel the Haijing 5305 took over duties of monitoring the *West Capella*, while the Haijing 5203 returned to the Luconia Shoals to disrupt the Sapura company's oil and gas operation surveys in that area.<sup>186</sup> However, on January 20, 2020, the *West Capella* proceeded to a new location in the ND-1 oil exploration block that was also located within the jointly claimed area, leading to further harassment from the Haijing 5305.<sup>187</sup> On January 26, 2020, Malaysia deployed a smaller coastal patrol vessel the KD *Kelantan* to assist in guarding the *West Capella* during its operations in the contested area until February 3<sup>rd</sup>.<sup>188</sup> However, the KD *Kelantan* was quickly relieved by another coastal patrol vessel KM *Bagan Datuk* within a few days.<sup>189</sup> Vietnam's vessels maintained an observational presence within the contested area during the entire duration of *West Capella*'s survey operations, continuing to call on *West Capella* to halt its oil survey operations and depart the contested area.<sup>190</sup> On February 16, 2020, the Haijing 5203 left its patrolling of Luconia Shoals and was replaced by a larger Chinese Coast Guard ship the Haijing 5204.<sup>191</sup>

During the same time of the survey vessel standoff, the Malaysian government encountered a political crisis that led to a critical government transition from the Pakatan

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<sup>184</sup> Asia Maritime Transparency Initiative.

<sup>185</sup> Asia Maritime Transparency Initiative.

<sup>186</sup> Asia Maritime Transparency Initiative.

<sup>187</sup> Asia Maritime Transparency Initiative.

<sup>188</sup> Bhavan Jaipragas, "Malaysia, China and Vietnam in 'Dangerous, Ongoing Game of Chicken' in South China Sea," South China Morning Post, last modified February 22, 2020, <https://www.scmp.com/week-asia/politics/article/3051889/malaysia-china-and-vietnam-dangerous-ongoing-game-chicken-south>.

<sup>189</sup> Asia Maritime Transparency Initiative, "Malaysia Picks a Three-Way Fight in the South China Sea."

<sup>190</sup> "Chinese Survey Ship Escalates Three-Way Standoff," Asia Maritime Transparency Initiative, May 18, 2020, <https://amti.csis.org/chinese-survey-ship-escalates-three-way-standoff/>.

<sup>191</sup> Asia Maritime Transparency Initiative, "Malaysia Picks a Three-Way Fight in the South China Sea."

Harapan (PH) government to the Perikatan Nasional (PN) government, resulting in a dynamic shift to a more non-confrontational foreign policy stance toward China's assertiveness in the South China Sea.<sup>192</sup> For instance, in March of 2020 the PN government's Foreign Minister Hishammuddin Hussein stated that "the government remained committed to resolving its South China Sea disputes with China through diplomacy and not by force."<sup>193</sup> Consequently, on March 12, 2020, China's Premier Li Keqiang responded that "he looked forward to working with Malaysia's new prime minister and improving both countries' diplomatic ties."<sup>194</sup> However, during this time, Malaysia experienced a country-wide coronavirus lockdown that disrupted potential diplomatic collaboration between both countries and shifted Malaysia's focus again to its immediate domestic concerns.<sup>195</sup>

On April 9, 2020, the Haiyang Dizhi 8 left Sanya port on China's Hainan island with its escorts consisting of six Chinese Coast Guard ships.<sup>196</sup> On April 14, 2020, the Haiyang Dizhi 8 and its escorts transited within 92 nautical miles of Vietnam's coastlines as reported by their AIS shipboard tracking systems.<sup>197</sup> During this time, Vietnam was in a 15-day lockdown due to the outbreak of coronavirus within the country.<sup>198</sup> Despite the lockdown, Vietnam still deployed three of its law enforcement vessels to shadow the

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<sup>192</sup> Parameswaran Parameswaran, "Chinese Survey Vessel Incident Puts Malaysia's South China Sea Approach Under Scrutiny."

<sup>193</sup> Carvalho et al., "Hishammuddin: Diplomacy Resolved Dispute between Petronas and Chinese Vessels in South China Sea," The Star, last modified August 13, 2020, <https://www.thestar.com.my/news/nation/2020/08/13/hishammuddin-diplomacy-resolved-dispute-between-petronas-and-chinese-vessels-in-south-china-sea>.

<sup>194</sup> Allison Lai, "Forging Closer China-Malaysia Ties," The Star, last modified March 11, 2020, <https://www.thestar.com.my/news/nation/2020/03/11/forging-closer-china-malaysia-ties>.

<sup>195</sup> Parameswaran Parameswaran, "Chinese Survey Vessel Incident Puts Malaysia's South China Sea Approach Under Scrutiny."

<sup>196</sup> Drake Long, "Chinese Survey Ship Moves to Malaysian, Bruneian Waters," Radio Free Asia, last modified April 17, 2020, <https://www.rfa.org/english/news/china/southchinasea-survey-04162020164946.html>.

<sup>197</sup> Long.

<sup>198</sup> Khanh Vu and James Pearson, "Chinese Ship Back in Waters off Vietnam Amid Coronavirus 'Distraction,'" *U.S. News and World Report*, last modified April 14, 2020, <https://www.usnews.com/news/world/articles/2020-04-14/chinese-survey-ship-returns-to-vietnam-exclusive-economic-zone>.

Haiyang Dizhi 8 and its escorts as they transited through Vietnam's EEZ.<sup>199</sup> Additionally, Vietnam's Foreign Ministry's spokeswoman Le Thi Thu Hang issued a verbal statement that "Vietnam sincerely wishes that countries' legitimate, justifiable rights, and interests are respected in accordance with UNCLOS."<sup>200</sup> In response to Vietnam's diplomatic protests against the Haiyang Dizhi 8, China's Foreign Ministry spokesperson Zhao Lijian stated that "The Haiyang Dizhi 8 was conducting normal activities in waters that are administered by China," once again signaling China's beliefs of its own indisputable rights to the South China Sea.<sup>201</sup>

On April 15, 2020, after exiting Vietnam's EEZ the Haiyang Dizhi 8 began its own oil survey operations approximately 80 nautical miles away from the *West Capella's* survey operations, entering Malaysia's EEZ the following day.<sup>202</sup> On April 17, 2020, the Haiyang Dizhi 8 began aggressively shadowing the *West Capella's* operations, in order to duplicate its survey operations within the same area.<sup>203</sup> Despite China's violation of its EEZ, the Malaysian government did not immediately respond nor did it lodge any diplomatic protests.<sup>204</sup> However, the head of the MMEA Zubil Mat Som, publicly stated that Malaysia did not know why the Haiyang Dizhi 8 was operating in Malaysian waters, but that the Chinese survey vessel was not breaking any laws.<sup>205</sup> The United States diplomatically condemned China's actions as taking advantage of Southeast Asian countries during the global pandemic and in response ordered joint military exercises to be completed near the Haiyang Dizhi 8 while it was executing its survey operations.<sup>206</sup> On April 18, 2020, the *USS America* (LHA-6), *USS Bunker Hill* (CG-52), and *USS Barry*

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<sup>199</sup> Vu and Pearson.

<sup>200</sup> "Vietnam Closely Monitoring 'Complex' East Sea Developments," Tienphong News, April 22, 2020, <https://tienphongnews.com/vietnam-closely-monitoring-complex-east-sea-developments-30227.html>.

<sup>201</sup> Vu and Pearson, "Chinese Ship Back in Waters off Vietnam Amid Coronavirus 'Distraction.'"

<sup>202</sup> Asia Maritime Transparency Initiative, "Chinese Survey Ship Escalates Three-Way Standoff."

<sup>203</sup> "Chinese, Malaysian Ships in South China Sea," *The Star*, April 18, 2020, <https://www.thestar.com.my/business/business-news/2020/04/18/chinese-and-malaysian-ships-in-south-china-sea-standoff-near-oil-field>.

<sup>204</sup> *The Star*.

<sup>205</sup> *The Star*.

<sup>206</sup> Asia Maritime Transparency Initiative, "Chinese Survey Ship Escalates Three-way Standoff."

(DDG-52) conducted joint exercises with the Australian ship the *HMAS Parramatta* near the ongoing standoff.<sup>207</sup> On April 23, 2020, Foreign Minister Hussein formally released Malaysia's first official diplomatic statement regarding the West Capella standoff stating that "the presence of multiple warships within the vicinity has the potential to increase tensions within the South China Sea, and may result in a miscalculation affecting the stability in the region."<sup>208</sup> Hussein further added that "matters relating to the South China Sea should be peacefully resolved through diplomacy based on the principles of UNCLOS."<sup>209</sup>

Following the Haiying Dizhi 8 incident, Malaysia's former Foreign Minister Anifah Aman criticized the current Prime Minister Muhyiddin Yassin's response to China's violation of Malaysia's EEZ and for allowing the Chinese survey vessel to conduct its own operations, stating that his diplomatic response was too soft.<sup>210</sup> In addition, Aman stated that only a consistent stance against China's maritime assertiveness would deter their violations going forward.<sup>211</sup> Soon after the West Capella incident, the Malaysian government strengthened its diplomatic ties with China once again, by appointing a new special envoy to China.<sup>212</sup> China's state media sources also disregarded the West Capella incident and focused its media coverage on its extensive coronavirus relief efforts it was providing to Malaysia.<sup>213</sup> On April 24, 2020, both the *USS America* (LHA-6) and *USS*

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<sup>207</sup> Asia Maritime Transparency Initiative.

<sup>208</sup> Ashley Tang, "Malaysia Calls for Calm and Stability in South China Sea after 'tagging' Incident Involving Chinese, M'sian Vessels," *The Star*, last modified April 23, 2020, <https://www.thestar.com.my/news/nation/2020/04/23/malaysia-calls-for-calm-and-stability-in-south-china-sea-after-039tagging039incident-involving-chinese-m039sian-vessels>.

<sup>209</sup> Tang.

<sup>210</sup> Parameswaran, "Chinese Survey Vessel Incident Puts Malaysia's South China Sea Approach Under Scrutiny."

<sup>211</sup> Parameswaran.

<sup>212</sup> "Tiong Welcomes Suggestions on Improving Relationship with China," *Borneo Post Online*, April 24, 2020, <https://www.theborneopost.com/2020/04/24/tiong-welcomes-suggestions-on-improving-relationship-with-china/>.

<sup>213</sup> "Joint Fight against COVID-19 Brings Closer Malaysia-China Ties: Malaysian FM," *Xinhua*, March 28, 2020, [http://www.xinhuanet.com/english/2020-03/28/c\\_138926102.htm](http://www.xinhuanet.com/english/2020-03/28/c_138926102.htm).



*Barry* (DDG-52) departed the area following Foreign Minister Hussein's remarks.<sup>214</sup> On May 12, 2020, the *West Capella* officially completed its oil exploration activities.<sup>215</sup> Subsequently, China's Haiyang Dizhi 8 survey vessel loitered 230 nautical miles off Malaysia's coast for three days completing its own oil surveys before officially departing the region on May 15, 2020.<sup>216</sup>

The Malaysian government responded to the *West Capella* incident in a similar way as the previous government responded, in which its diplomatic response was delayed and inconsistent. Similar to the *Luconia Shoals* incidents, Malaysia's officials issued conflicting diplomatic statements of the current situation within Malaysia's EEZ. Moreover, Malaysian officials also quickly downplayed the *West Capella* incident in favor of quickly restoring their diplomatic ties and economic ties with China, with the goal of enhancing the new BN government's legitimacy. In addition, it is likely that the Hussein government foresaw the need to immediately strengthen its economic ties with China due to the economic downturn that the coronavirus pandemic inflicted on Malaysia's domestic economy.

### C. CONCLUSION

The Najib administration continuously established closer economic and diplomatic ties with China in order to build political legitimacy for his administration and retain political support from the business elite class.<sup>217</sup> However, while Malaysia has made significant progress in developing its economic ties with China, it has been unsuccessful in preventing continued Chinese assertiveness in the South China Sea. Currently, Malaysia

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<sup>214</sup> Euan Graham, "U.S. Naval Standoff with China Fails to Reassure Regional Allies," *Foreign Policy*, last modified May 4, 2020, <https://foreignpolicy.com/2020/05/04/malaysia-south-china-sea-us-navy-drillship-standoff/>.

<sup>215</sup> Rozanna Latiff and A. Ananthalakshmi, "Malaysian Oil Exploration Vessel Leaves South China Sea Waters after Standoff," *Reuters*, last modified May 12, 2020, <https://www.reuters.com/article/us-china-security-malaysia-idUSKBN22O1M9>.

<sup>216</sup> Rozanna Latiff, "Chinese Ship leaves Malaysian Waters after Month-Long South China Sea Standoff," *Reuters*, last modified May 15, 2020, <https://www.reuters.com/article/china-security-malaysia/chinese-ship-leaves-malaysian-waters-after-month-long-south-china-sea-standoff-idINKBN22R1QT>.

<sup>217</sup> Noor and Qistina, "Great Power Rivalries, Domestic Politics and Malaysian Foreign Policy," 206.

has become increasingly fearful of China's economic coercion because it has witnessed other countries that have been negatively affected from China's Belt and Road Initiative (BRI).<sup>218</sup> Evidence was found during research that illustrated that economic coercion has indeed occurred in Malaysia which contributes to unsuccessful outcomes. Moreover, this can be shown in 2013 when Malaysia continuously allowed China to violate its EEZ for almost two years at the Luconia Shoals. Research also indicates that Malaysia's pandemic economic recovery and its preexisting economic ties with China could also make it more susceptible to increased Chinese economic coercion in the future.

This research did not find any evidence to support the hypothesis that increased coercive diplomacy against China's assertiveness leads to more successful outcomes in the South China Sea. Overall, Malaysia has yet to pursue an aggressive military response against China's violations of Malaysia's EEZ. In addition, Malaysia's military and MMEA responses have been accommodative, in which they have deployed vessels for only a short duration of time to observe China's violation of their EEZ. In addition, each of the previous incidents at Luconia Shoals prompted a similar response to China's EEZ violations, which ultimately led to numerous unsuccessful outcomes with China. Finally, the Mahathir government's decision to deploy the *West Capella* within the jointly claimed area of both Malaysia and Vietnam for oil survey operations, is likely the most assertive action that Malaysia has taken within the South China Sea. In addition, it also appears this action led to China eventually withdrawing its own oil survey vessel, which makes the West Capella incident a modestly successful outcome for Malaysia.

Research also indicates that Malaysia performed limited bandwagoning with China and is currently lightly hedging between the United States and China. Moreover, this is because Malaysia's ruling elites seek to maximize economic and military benefits from their country's relationship with China, and because Malaysia's economic prosperity reassures the Malaysian population that its leaders have legitimacy. Malaysia has reached agreements for defense cooperation with countries such as Japan and India, but because

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<sup>218</sup> Zachary Abuza, "Malaysia: Navigating between the United States and China," *Asia Policy* 15, no. 2 (April 2020): 117, ProQuest.

these are limited, they amount to a weak form of external balancing. Malaysia also places a low priority on issues involving sovereignty in distant seas with uncertain benefit and instead prioritizes the clear value of present and future trade and investment. Overall, Malaysia's behavior can best be described as a light hedging strategy in which it seeks to not formally align itself with any great power, due to persistent fears of being trapped in a conflict between the United States and China.

Limited evidence was found during research supporting the hypothesis that stronger diplomatic support from the international community leads to more successful outcomes. Many of the Luconia Shoals incidents have had very limited coverage by Malaysia's media in order to avoid angering China. However, social media was utilized in order to internationalize China's incursions during the 2015 Luconia Shoals incident. Research also indicates that Malaysia like China, views direct bilateral negotiations as the preferred method in resolving maritime territorial disputes between the two countries. Finally, it is important to highlight that Malaysia did seek international support for its South China Sea claims, by filing the first *note verbale* to the CLCS that explicitly rejected China's nine-dash line claim.<sup>219</sup> In addition, Malaysia's submission was ultimately successful in gaining diplomatic support from other ASEAN members such as the Philippines, Vietnam, and Indonesia.<sup>220</sup>

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<sup>219</sup> Pham, "South China Sea-Related Notes Verbales Might Deal Huge Blow to China's Prestige: Thayer."

<sup>220</sup> Pham.

## **IV. CONCLUSION**

This thesis has explained why some Southeast Asian countries' responses to Chinese actions in the South China Sea have been more successful than others. This concluding chapter identifies four factors that were determined through case study analysis to have yielded success for the Philippines and Vietnam, as well as modest success for Malaysia. Additionally, this chapter will also illustrate that since 2014 Southeast Asian countries have been less successful when facing China's assertiveness in the South China Sea, based on the most recent incidents of Vanguard Bank and the West Capella. Moreover, this chapter will also describe how increased external balancing may hold a promise for success in the future depending on how it is employed. This chapter will also discuss implications for the future of the South China Sea disputes, suggest U.S. policy recommendations, and identify future areas for research.

### **A. RESEARCH CONCLUSION**

During this thesis research, four hypotheses were explored in order to identify potential factors that could contribute to more successful responses to China's assertiveness in the South China Sea. The evidence found for the first hypothesis— that increased external balancing with the United States leads to more successful outcomes—was extremely weak. In fact, during case study analysis it was discovered that the Philippines was the only country that had pursued some formal, robust external balancing with the United States through its repairing of alliances. Although Vietnam has allowed the United States' ships to dock in Vietnamese ports and acquired a U.S. Coast Guard vessel and six patrol boats, these are quite modest steps toward "alignment." Further, it has not formed an official military alliance with the United States. In addition, Vietnam seems unlikely to formally align itself with any great power because it does not want to anger China or undermine stability within the region, and doing so would also go against its own domestic policy of the "Three No's," which explicitly precludes such a step.

Likewise, Malaysia has also received United States' defense equipment such as a U.S. coastal defense system and U.S. coastal patrol vessels. However, similar to Vietnam,

Malaysia's domestic politics also heavily influences how it will respond to China's violations of its EEZ and how it views China as a threat. Many of Malaysia's ruling elites view China as a minimal maritime threat that can be managed through light hedging and by seeking international support for its claims by submitting them to the CLCS. Additionally, many of Malaysia's elites view the country's future economic prosperity as tied to rising economic cooperation with China, which provides Malaysian elites with an incentive to further economic ties with China to reinforce their own political legitimacy.

It is also important to note that Vietnam and Malaysia have both consciously tried to avoid external balancing with the United States as well as with other countries, even in times of a South China Sea crisis. However, external balancing with the United States could still be a possible option for both countries in the future. This would, however, require each country to heavily reevaluate its current domestic politics and whether to pursue an external alliance-based strategy.

Moderate evidence was found for the hypothesis that increased internal balancing leads to more successful outcomes. While it is true that both Vietnam and Malaysia have strengthened their maritime defense capabilities, neither of these countries has overly invested in a massive military expansion during the last ten years, as China has. This exacerbates the asymmetric position the countries find themselves in against China's growing maritime capabilities. In turn, limited internal balancing like insufficient external balancing makes it difficult for each country to achieve a successful outcome with China. This is also illustrated by Vietnam's increasing reliance on acquiring additional defense equipment from other countries, such as the United States, India, and Japan in order to continually modernize its own maritime defense capabilities. As a result, Vietnam's inadequate maritime capabilities leads to a perpetual spiral, in which the purchase of a defense partner's maritime capability indirectly makes Vietnam more dependent on that country's maritime defense technology in the future.

Similarly, Malaysia also suffers from inadequate maritime defense capabilities but for different reasons. First, most of its defense budget is devoted to military operational funding, in order to sustain its own military forces. Secondly, it is also not economically feasible that Malaysia could devote adequate investments into developing its maritime

capabilities to sufficiently counter China's advanced maritime forces. Thirdly, Malaysia also differs from Vietnam because Malaysia still views land-based threats, such as terrorist organizations and illegal border crossings, as the primary type of threat. This leads to Malaysia's Army receiving most of the operational budget, to manage these constant land threats. As a result, Malaysia can only devote a minimal amount of funding to improving its own maritime capabilities, which has a direct effect on Malaysia's inability to sufficiently deter China's violations of its EEZ.

The hypothesis that increased coercive diplomacy against China's assertiveness leads to more successful outcomes was found to have strong evidence in several of the analyzed case studies such as the Second Thomas Shoal incident in 2013 and the 2014 China-Vietnam oil rig incident. In general, much of the evidence demonstrated that countries that engaged in the use of increased coercive diplomacy against China's assertiveness in the South China Sea—by responding more aggressively, deploying their own maritime vessels to interdict China after China had violated their EEZ—were more successful in compelling China to leave their EEZ. It is also important to note that only the Philippines and Vietnam were found to have achieved a successful outcome during a maritime dispute with China. Therefore, more aggressive responses to China's assertiveness in the South China Sea during a crisis was one of the main factors in a successful outcome with China.

Compelling evidence was also found in favor of the fourth hypothesis that stronger diplomatic support from the international community leads to more successful outcomes. First, it appears that when countries threaten China with legal arbitration, as the Philippines did in 2013, China is more likely to withdraw some of its vessels from the country's EEZ in order to prevent the country from further pursuing legal arbitration. Second, countries that chose to internationalize the maritime incident by using their own state and international media sources had an impact on China's decision on whether to continually violate that country's EEZ. Third, countries that had involved regional organizations and international organizations, such as ASEAN and the United Nations, seemed to have an influence on how long China would choose to continually violate a country's EEZ.

The combination of at least three of these four factors resulted in more successful outcomes. For example, during the 2013 Second Thomas Shoal incident, the Philippines used three of the four factors to persuade China to withdraw some of its vessels outside of the Philippines' EEZ. Using foreign journalists during its resupply of the *Sierra Madre*, the Philippines was able to involve the media by publicizing China's aggressive actions to the world, which appears to have induced China to withdraw some of its vessels to an observatory range from the Shoal. Additionally, the publicizing of the incident caught the attention of the regional organization of ASEAN at the 24<sup>th</sup> ASEAN Summit, which led to additional harsh criticism of China internationally. The Philippines' initiation of the international arbitration case also appears to have persuaded China to temper its maritime response during the Philippines' scheduled resupply operation of the *Sierra Madre*. In addition, the international arbitration case also appears to have swayed China to offer more economic cooperation to the Philippines in exchange for dropping its international arbitration case. Although the Philippines' maritime response was not as aggressive as its previous Scarborough Shoal incident in 2012, the Philippines was consistent in its maritime response and did not momentarily withdraw its vessels as it had done during the Scarborough Shoal incident.

In response to the 2014 oil rig incident, Vietnam employed all four of these factors and achieved the most successful response among the cases analyzed in this thesis. Vietnam's response can be considered successful because it resulted in China's withdrawal of the oil rig from Vietnam's EEZ. Vietnam was able to accomplish this primarily through strong appeals to international media. In fact, Vietnam internationalized the incident by providing current updates to the international community, which further allowed it to receive more diplomatic support from ASEAN members during the 24<sup>th</sup> ASEAN summit and from other regional partners such as the U.S., Australia, and Japan.<sup>221</sup> Vietnam also reached out to the international community by submitting a formal diplomatic complaint regarding the incident to the United Nations. Vietnam's use of coercive diplomacy by deploying several maritime law enforcement ships and their own maritime militia forces

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<sup>221</sup> Green et al., *Countering Coercion in Maritime Asia*, 212.

to drive China's oil rig out of their respective EEZ, directly contributed to its success. Finally, similar to the Philippines, Vietnam also threatened legal arbitration against China, which led to further internationalization of the South China Sea dispute.

As we have seen, in the earlier period (2013-2014) Southeast Asian countries were more successful, and their success came from a combination of at least three of these four factors. However, in the more recent (2019-2020) incidents of Vanguard Bank and West Capella, they have been modestly successful in persuading Chinese vessels to leave their EEZs, likely for several reasons. First, countries have been unwilling to challenge China as aggressively as Vietnam did in 2014, which has permitted China to accomplish its goal of surveying for natural resources. For instance, during the Vanguard Bank incident Vietnam initially responded aggressively by deploying its maritime enforcement vessels. However, once Vietnam's vessels had located China's Haiyang Dizhi 8 oil survey vessel, they merely observed China's oil survey vessel and did not attempt to obstruct its operations. Vietnam also did not publicize the Vanguard Bank incident like the previous 2014 oil rig incident. Instead, they chose to minimize international and state media coverage. Vietnam also did not involve other countries in the region or the international community like it did during the 2014 oil rig incident. Vietnam's unwillingness to employ the same tactics it has used in 2014, directly contributed to a modestly successful outcome with China in 2019.

Malaysia's responses during the West Capella incident were also not aggressive and can be viewed as more accommodative in nature. In fact, while Malaysia did deploy some of its naval frigates and coastal patrol vessels, it also did not attempt to directly intervene in the Haiyang Dizhi 8's seismic survey operations. Instead, most of Malaysia's vessels only observed the oil survey operations of the Haiyang Dizhi 8 and its escorts, as the West Capella continued its own survey operations in the area. Similar to Vietnam, Malaysia also minimized media coverage of the incident and did not seek to involve other countries such as the United States or ASEAN members in its response. In addition, Malaysia also did not submit any official statements regarding the ongoing incident until six months after the incident had begun, which further contributed to a modestly successful outcome for Malaysia.



Since 2014, it appears that Southeast Asian countries like Vietnam and Malaysia have generally been deterred from directly challenging China. This seems to be because China's maritime power capabilities have substantially increased since then, resulting in China's ability to maintain a greater number of Chinese maritime forces deployed within the South China Sea, and thus is likely an important, contributing factor to the outcomes in West Capella and Vanguard Bank. China's construction of its artificial islands in 2014 also seems to have contributed to their ability to provide for greater sustainment of their maritime forces, allowing for consistent Chinese maritime presence within the region.

Finally, Vietnam and Malaysia have also not reached out to involve other countries within the region or extra regional partners such as the United States, Australia, or Japan in both the Vanguard Bank and West Capella Incidents. Instead, both of these countries have individually decided to face China's incursion within their EEZ without seeking military assistance from foreign countries. Additionally, during both of these maritime incidents the United States has unilaterally involved itself in the disputes by denouncing China's actions through various diplomatic statements. It is also important to highlight that although the United States did not involve itself militarily during the Vanguard Bank incident, the U.S. did individually involve itself during the West Capella dispute by completing joint maritime exercises with Australia within the vicinity, in order to deter China from further escalating the maritime dispute. Therefore, it is possible that if Southeast Asian countries choose to increase their external balancing with the United States and other regional allies, this could enable a stronger alliance to be formed which could possibly deter China from further escalating maritime disputes. Moreover, increased external balancing with the U.S. could also allow for more rapid acquisitions of maritime defense capabilities between these countries, which could be later utilized against China's increasing assertiveness in the South China Sea.

## **B. IMPLICATIONS FOR THE FUTURE OF THE SOUTH CHINA SEA DISPUTES AND U.S. POLICY RECOMMENDATIONS**

Many of these previously discussed case studies illustrate that China will continue to claim that it has indisputable sovereignty in the South China Sea and its undiscovered resources and will disrupt any claimant state that seeks to complete its own exploration

without involving China's state-owned enterprises (SOEs). In the future, this will have implications for the United States, its regional partners such as India, Australia, and Japan, as well as the South China Sea claimant states. In turn, China's continued assertiveness will push the United States to become even more involved in the region, working in cooperation with regional partners to ensure that the principles of international law are upheld in the South China Sea. In addition, the increased U.S. involvement could certainly have positive implications for claimant states and their renewed diplomatic relationship with the United States. In turn, this could also result in the U.S. encouraging all claimant countries to take a stronger maritime stance against China's assertiveness. However, as noted, several claimant states do not possess the domestic defense capabilities to face the increasing China threat alone in the South China Sea and cannot formally align with the U.S. for fear of angering China and their own domestic politics. Moreover, the U.S. going forward must understand these complicated relationships claimant states have with China and also work to repair its own diplomatic reputation within the region. The United States' increased involvement in the region will also have implications for ASEAN, by allowing more senior leaders of Southeast Asian countries to meet with the U.S. more frequently to discuss regional issues such as the CoC and other maritime security issues. China's continuous disruptions of foreign oil companies' exploration rights could also have implications for other countries to become involved in the South China Sea disputes, in order to safeguard their financial interests, which could raise the potential for conflict. However, there are several recommendations the United States could implement in its current policy in the South China Sea that would be effective in the future.

First, the United States should continue to express its current position is in accordance with international law and respects the 2016 Permanent Court of Arbitration's decision, most explicitly articulated in 2020.<sup>222</sup> The U.S. should also continue to increase its maritime presence within the South China Sea, despite not receiving official formal requests from Southeast Asian nations to do so. The reason is that both Southeast Asian

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<sup>222</sup> Michael Pompeo, "U.S. Position on Maritime Claims in the South China Sea," *United States Department of State* (blog), July 13, 2020, <https://www.state.gov/u-s-position-on-maritime-claims-in-the-south-china-sea/>.

countries as well as many other countries in the world are deeply reliant on their maritime trade which must pass through this critical shipping area. In turn, an increased U.S. maritime presence within the South China Sea will provide greater reassurance to Southeast Asian countries as well as other countries, by reaffirming that the U.S. has a vested interest in ensuring that maritime international laws are continually upheld, despite new challenges created by China.

Second, on a diplomatic level, the United States should increase its current involvement in the multilateral regional organization of ASEAN, as well as increase its individual diplomatic support to each country involved in the South China Sea disputes, which could enable for more external balancing to occur. Over the years, America's official diplomatic presence within Southeast Asia has been in decline, which has casted doubt in some Southeast Asian countries' opinions of the United States' commitments in the region. To negate this, the U.S. could increase its senior leadership attendance at the ASEAN summit, ASEAN Regional Forum (ARF), ASEAN Defense Ministers' Meeting Plus (ADMM+) and the East Asian Summit (EAS) meetings. Additionally, the U.S. could increase its individual diplomatic support with each country in the region, which would reassure our diplomatic commitments to our regional allies. With an increased presence diplomatically, the United States will show that it is a committed partner to the code of conduct (CoC) negotiations, committed to peace and stability within the region, and that it will ensure that the principles of international law are upheld.

Third and finally, on a military level, the United States could recommend to ASEAN members and its regional partners a mutual assistance policy that would allow other ASEAN members and regional partners to jointly respond militarily. In practice, this policy could encourage an increase in the frequency of annual joint exercises such as the current Cooperation Afloat Readiness and Training (CARAT) and the Southeast Asia Cooperation and Training (SEACAT) exercises. Currently, the CARAT exercise allows for coordinated sea evolutions which teach Southeast Asian countries how to track vessels, how to conduct increased missile defense, and how to perform coordinated shipboard

maneuvers with other countries.<sup>223</sup> The SEACAT exercise also provides detailed workshops on maritime security as well as a practical at-sea exercise within the South China Sea, which helps to solidify the joint maritime workshop training.<sup>224</sup> Increasing the frequency of these joint exercises by making them biannual would not only increase coordination between Southeast Asian countries but could also empower them with the training needed to enable a combined regional response to China's assertiveness in future crises. In addition, the U.S. could also extend its invitation of these joint exercises to other countries such as India, Australia, and Japan which would allow for greater maritime cooperation between allies. Ultimately, the U.S. should understand that it must respond to China's assertiveness in the South China Sea by engaging in a multilateral approach with its regional partners, that is both collaborative and cooperative, in order to successfully assist in the resolving of the South China Sea disputes with ASEAN claimant states. If employed correctly, this policy approach could assist in the prevention of a great power conflict with China in the future.

### **C. RECOMMENDED FUTURE RESEARCH**

During the completion of this research, it was discovered that both Vietnam and Malaysia have completed several defense arrangements for military personnel training on several different land and air military platforms with other middle powers such as India and Australia. Future research could be completed on whether the increased involvement of other middle powers such as India and Australia with other Southeast Asian countries will enable Southeast Asian countries to respond more assertively against China's assertiveness in the South China Sea.

Additionally, this research was completed during the time of the coronavirus pandemic and was not able to see how the coronavirus pandemic has affected future defense funding for these selected Southeast Asian countries. Future research could be

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<sup>223</sup> Prashanth Parameswaran, "US-Brunei Defense Ties in Focus with Military Exercise in South China Sea," *The Diplomat* (November 2018):1. ProQuest.

<sup>224</sup> Prashanth Parameswaran, "Maritime Security Exercise Highlights US-Indo-Pacific Defense Ties," *The Diplomat*, last modified August 27, 2019, <https://thediplomat.com/2019/08/maritime-security-exercise-highlights-us-indo-pacific-defense-ties/>.

performed on how global pandemics affect internal balancing and external balancing within Southeast Asian countries and whether this has a detrimental impact on how countries respond to China's assertiveness in the South China Sea in the future.

Finally, many countries within Southeast Asia perceive China's growing military influence within the region differently. Future research could also be completed on why some Southeast Asian countries view China's rising military influence within the South China Sea as a direct military threat, while other countries view China's increasing military role in the region as an opportunity to improve their own country's military forces with advanced weapons, technology, and training.

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